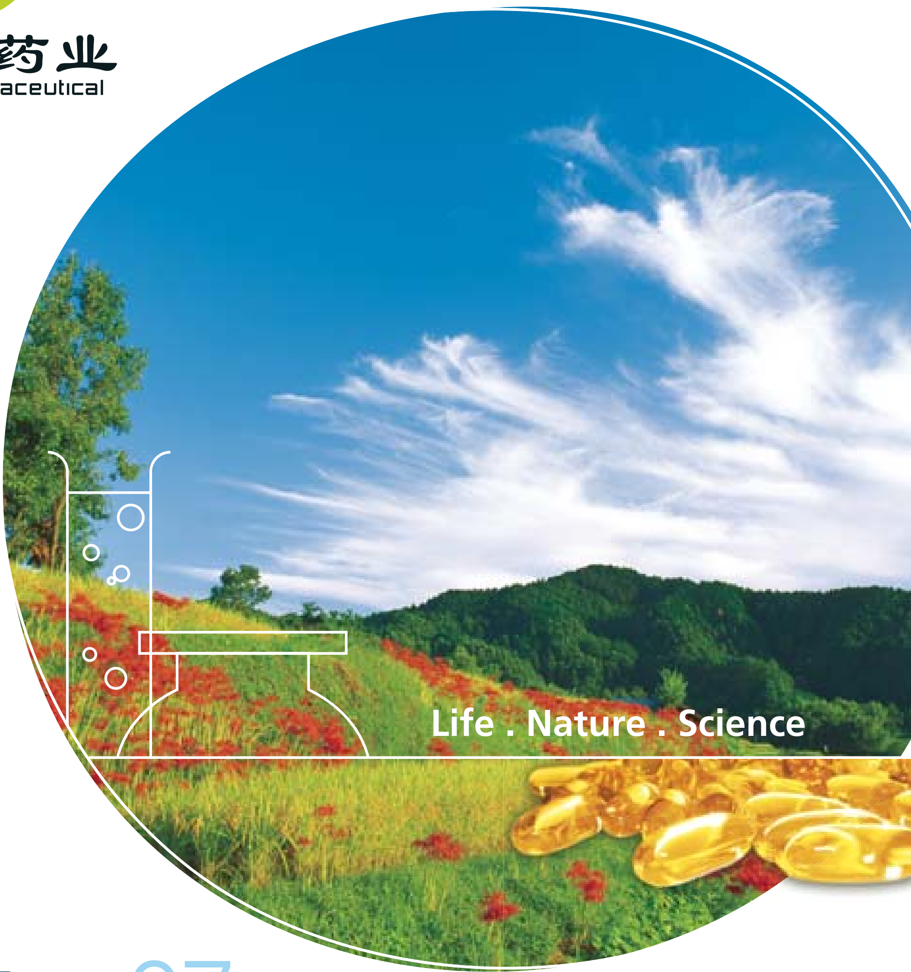
武夷药业
Wuyi Pharmaceutical



Interim Report 07

Wuyi International Pharmaceutical Company Limited

(Incorporated in the Cayman Islands with limited liability) Stock code: 1889

BOARD OF DIRECTORS

Executive Directors
Mr. Lin Ou Wen *(Chairman)*
Mr. Lin Qing Ping
Mr. Xu Chao Hui
Mr. Dennis Luan Thuc Nguyen

Non-executive Directors
Mr. Tang Bin
Mr. John Yang Wang

Independent Non-executive Directors
Mr. Goh Jin Hian
Mr. Liu Jun
Mr. Lam Yat Cheong

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Kung Wai Chiu, Marco *CPA (Practicing) and FCCA*

AUTHORIZED REPRESENTATIVES

Mr. Lin Ou Wen
Mr. Kung Wai Chiu, Marco *CPA (Practicing) and FCCA*

AUDIT COMMITTEE

Mr. Lam Yat Cheong *(Chairman)*
Mr. Goh Jin Hian
Mr. Liu Jun

REMUNERATION COMMITTEE

Mr. Dennis Luan Thuc Nguyen *(Chairman)*
Mr. Lin Ou Wen
Mr. Goh Jin Hian
Mr. Liu Jun
Mr. Lam Yat Cheong

NOMINATION COMMITTEE

Mr. Lin Ou Wen *(Chairman)*
Mr. Lin Qing Ping
Mr. Goh Jin Hian
Mr. Liu Jun
Mr. Lam Yat Cheong

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

SOLICITORS

Gallant Y. T. Ho & Co.

COMPLIANCE ADVISER

Sun Hung Kai International Limited

PRINCIPAL BANKER

Bank of Communications Co., Ltd

REGISTERED OFFICE

4th Floor
P.O. Box 2804
George Town
Grand Cayman
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

Suite 2805, 28th Floor
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICES

Principal share registrar and transfer office
Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands
British West Indies

Hong Kong branch share registrar and transfer office
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

STOCK CODE

1889

WEBSITE

www.wuyi-pharma.com

The Board (the "Board") of Directors (the "Directors") of Wuyi International Pharmaceutical Company Limited ("Wuyi Pharmaceutical" or the "Company") is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2007, together with the comparative figures for the corresponding period in 2006. The results have not been audited, but have been reviewed by the Company's audit committee (the "Audit Committee").

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2007	2006
	Notes	***RMB'000*** **(Unaudited)**	*RMB'000* (Unaudited)
Turnover	*5*	**299,116**	240,138
Cost of sales		**(150,785)**	(122,541)
Gross profit		**148,331**	117,597
Other income	*5*	**23,257**	124
Distribution expenses		**(5,547)**	(8,220)
Administrative expenses		**(21,969)**	(7,394)
Finance costs	*6*	**(1,255)**	(1,363)
Profit before taxation	*7*	**142,817**	100,744
Taxation	*8*	**–**	(33,706)
Profit for the period		**142,817**	67,038
Attributable to:			
– Equity holders of the Company		**142,817**	67,227
– Minority interests		**–**	(189)
		142,817	67,038
Dividends paid	*9*	**–**	84,120
Earnings per share			
– Basic	*10*	**RMB8.7 cents**	RMB6.4 cents

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2007

	Notes	30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	11	133,995	132,619
Land use rights		11,538	11,664
Intangible assets		24,207	24,207
		169,740	168,490
Current assets			
Inventories		15,144	21,573
Trade and other receivables	12	123,043	137,388
Bank balances and cash		981,485	199,765
		1,119,672	358,726
Current liabilities			
Trade and other payables	13	75,454	82,571
Amount due to a director		–	62,400
Short-term bank loans	14	35,000	43,000
Other financial liability	15	–	140,400
		110,454	328,371
Net current assets		1,009,218	30,355
Total assets less current liabilities		1,178,958	198,845
Non-current liabilities			
Obligation under finance leases	16	18	–
Deferred taxation	18	4,587	4,587
		4,605	4,587
Net assets		1,174,353	194,258
Capital and reserves			
Paid-in capital	19	17,098	12,800
Reserves		1,157,255	181,458
Total equity		1,174,353	194,258

	Attributable to equity holders of the Company												
	Paid-in capital/ share capital *RMB'000*	**Share premium** *RMB'000*	**Special reserve** *RMB'000* *(Note a)*	**Capital reserve** *RMB'000* *(Note b)*	**Put option reserve** *RMB'000* *(Note c)*	**Translation reserve** *RMB'000*	**Statutory surplus reserve** *RMB'000* *(Note d)*	**Statutory welfare fund** *RMB'000* *(Note e)*	**Non-distributable reserve** *RMB'000* *(Note f)*	**Retained profits** *RMB'000*	**Attributable to equity holders of the company** *RMB'000*	**Minority interests** *RMB'000*	**Total** *RMB'000*
At 31 December 2005 (audited)	60,863	–	–	–	–	–	27,537	13,769	23,752	89,110	215,031	16,313	231,344
Issue of shares on incorporation of a subsidiary	80	–	–	–	–	–	–	–	–	–	80	–	80
Arising on acquisition of subsidiaries	(83)	–	–	–	–	–	–	–	–	–	(83)	–	(83)
Profit for the period	–	–	–	–	–	–	–	–	–	67,227	67,227	(189)	67,038
Dividends paid	–	–	–	–	–	–	–	–	–	(84,120)	(84,120)	–	(84,120)
Transfers	–	–	–	–	–	–	13,769	(13,769)	–	–	–	–	–
At 30 June 2006 (unaudited)	60,860	–	–	–	–	–	41,306	–	23,752	72,217	198,135	16,124	214,259
Profit for the period	–	–	–	–	–	–	–	–	–	52,547	52,547	(194)	52,353
Exchange differences arising on translation of foreign operations and net gain recognised directly in equity	–	–	–	–	–	1,156	–	–	–	–	1,156	–	1,156
Total recognised income and expenses for the period	–	–	–	–	–	1,156	–	–	–	52,547	53,703	(194)	53,509
Arising on acquisition of subsidiaries	(60,780)	–	(67,220)	–	–	–	–	–	–	–	(128,000)	–	(128,000)
Arising on group reorganization	10,416	–	(10,416)	–	–	–	–	–	–	–	–	–	–
Conversion of convertible bonds	2,304	201,986	–	–	–	–	–	–	–	–	204,290	–	204,290
Capital contributions	–	–	–	53,000	–	–	–	–	–	–	53,000	–	53,000
Arising on acquisition of additional interest of a subsidiary	–	–	(46,470)	–	–	–	–	–	–	–	(46,470)	(15,930)	(62,400)
Arising from put option	–	–	–	–	(140,400)	–	–	–	–	–	(140,400)	–	(140,400)
At 31 December 2006 (audited)	12,800	201,986	(124,106)	53,000	(140,400)	1,156	41,306	–	23,752	124,764	194,258	–	194,258
Profit for the period	–	–	–	–	–	–	–	–	–	142,817	142,817	–	142,817
Exchange differences arising on translation of foreign operations and net gain recognised directly in equity	–	–	–	–	–	(1,493)	–	–	–	–	(1,493)	–	(1,493)
Total recognised income and expenses for the period	–	–	–	–	–	(1,493)	–	–	–	142,817	141,324	–	141,324
Issue of new shares	4,298	754,124	–	–	–	–	–	–	–	–	758,422	–	758,422
Share issued expenses	–	(60,051)	–	–	–	–	–	–	–	–	(60,051)	–	(60,051)
Put option lapsed	–	–	–	–	140,400	–	–	–	–	–	140,400	–	140,400
At 30 June 2007 (unaudited)	**17,098**	**896,059**	**(124,106)**	**53,000**	**–**	**(337)**	**41,306**	**–**	**23,752**	**267,581**	**1,174,353**	**–**	**1,174,353**

Notes:

a) Special reserve represents the aggregate of:

   (i) the difference between the consideration paid by Wuyi International Pharmaceutical Investment Company Limited ("Wuyi BVI") for the acquisition of the entire interest in 福建三愛藥業有限公司 Fujian Sanai Pharmaceutical Co., Ltd. ("Fujian Sanai") and Cyberstop Profits Limited ("Cyberstop") and the nominal value of paid-in capital of Fujian Sanai and Cyberstop;

   (ii) the difference between the nominal amount of the shares issued by the Company and the amount of share capital of Wuyi BVI pursuant to the group reorganisation in preparation for the listing of the Company's shares in 2006; and

   (iii) the difference between the consideration paid for the acquisition of additional interests in 福州三愛藥業有限公司 Fuzhou Sanai Pharmaceutical Co., Ltd. ("Fuzhou Sanai") and the carrying values of the underlying net assets attributable to the additional interests in Fuzhou Sanai.

b) Capital reserve represents the capital contributions from Mr. Lin Qing Ping, a director and shareholder of the Company and 福州宏宇包裝工業有限公司 Fuzhou Hongyu Packing Co., Ltd. ("Fuzhou Hongyu") , a company controlled by Mr. Lin Ou Wen, a director of the Company.

c) The put option reserve represents the recognition of the obligation of a put option written by the Company to the shareholders in respect of the shares issued upon the conversion of the Convertible Bonds. Details of the put option are set out in note 22 to consolidated financial statements in the annual consolidated financial statements of the Company for the year ended 31 December 2006. The put option lapsed upon completion of the initial offer for subscription of the shares of the Company to the public on 1 February 2007.

d) As stipulated by the relevant laws and regulations for foreign investment enterprises in Mainland China (the "PRC"), the Company's PRC subsidiaries are required to maintain a statutory surplus reserve fund. Appropriation to such reserve is made out of net profit after taxation as reflected in the statutory financial statements of the PRC subsidiaries while the amounts and allocation basis are decided by their board of directors annually. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.

e) The statutory welfare fund, which is to be used for the welfare of the staff and workers of Fujian Sanai, is of a capital nature. In accordance with the latest PRC relevant laws and regulations, the unutilised statutory welfare fund as at 31 December 2005 is required to transfer to statutory surplus reserve in 2006.

f) In accordance with the Articles of Association of Fujian Sanai, Fujian Sanai may appropriate funds to non-distributable reserve with the discretion of the board of directors. According to the Articles of Association of Fujian Sanai, the non-distributable reserve can be used to (i) make up prior year losses; (ii) convert into capital, provided such conversion is approved by a resolution at a shareholders' meeting; (iii) expand production operation.

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net cash from operating activities	**140,394**	74,150
Net cash from/(used in) investing activities	**16,093**	(29,498)
Financing activities		
Interest paid	**(1,255)**	(1,363)
Dividends paid	**–**	(84,120)
Repayment of director's promissory note	**(62,400)**	–
Repayment of obligations under finance leases	**(2)**	–
Proceeds from issue of shares	**758,422**	80
Shares issued expenses	**(60,051)**	–
New bank loans raised	**46,900**	38,000
Repayment of bank loans	**(54,900)**	(38,000)
Net cash from/(used) in financing activities	**626,714**	(85,403)
Net increase/(decrease) in cash and cash Equivalents	**783,201**	(40,751)
Cash and cash equivalents at 1 January	**199,765**	108,181
Effect of foreign exchange rate changes	**(1,481)**	–
Cash and cash equivalents at the end of the period	**981,485**	67,430
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**981,485**	67,430

1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability on 21 March 2006 under the Companies Law of the Cayman Islands. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section in the interim report.

The Company acts as an investment holding company. Its subsidiaries are principally engaged in develop, manufacture, marketing and sales of pharmaceutical products.

The consolidated financial statements are presented in Renminbi ("RMB") which is the same as the functional currency of the group entities.

Under a group reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange (the "Group Reorganisation"), the Company has become the ultimate holding company of the Group on 27 October 2006.

Details of the Group Reorganisation are set out in the paragraph headed "The Reorganisation" in Appendix VI to the prospectus dated 22 January 2007 issued by the Company.

Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 1 February 2007.

2. BASIS OF PREPARATION

The Group resulting from the above mentioned Group Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements of the Group have been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger accounting for common control combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as if the group structure under the Group Reorganisation had been in existence throughout the six months ended 30 June 2006 or since their respective dates of incorporation or establishment whichever is the shorter period.

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with Hong Kong Accounting Standard 34 (HKAS 34), Interim Financial Reporting issued by the HKICPA. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2006.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated interim financial statements are consistent with those followed in the preparation of the company's annual financial statements for the year ended 31 December 2006, except as described below:

Assets held under finance leases

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to income statement.

Rentals payable under operating leases are charged to income statement on a straight-line basis over the term of the relevant lease.

In the current interim period, the Group has applied, for the first time, the following new standards, amendment and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[2]
HK(IFRIC) – Int 8	Scope of HKFRS 2[3]
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment[5]

1 Effective for annual periods beginning on or after 1 January 2007
2 Effective for annual periods beginning on or after 1 March 2006
3 Effective for annual periods beginning on or after 1 May 2006
4 Effective for annual periods beginning on or after 1 June 2006
5 Effective for annual periods beginning on or after 1 November 2006

The adoption of these new HKFRSs has 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. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group:

HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions[2]
HK(IFRIC) – Int 12	Service Concession Arrangements[3]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 March 2007
3 Effective for annual periods beginning on or after 1 January 2008

4. SEGMENT INFORMATION

The Group's operation is regarded as a single segment, being an enterprise engaged in research and development, manufacturing and trading of pharmaceutical products. During the period, all the Group's sales are made in the Mainland China (the "PRC"). Accordingly, no segment analysis of business and geographical segments is presented for the period.

5. TURNOVER AND OTHER INCOME

	Six months ended 30 June	
	2007	2006
	RMB'000 **(Unaudited)**	*RMB'000* (Unaudited)
Turnover	**299,116**	240,138
Other income		
Bank interest income	**20,254**	124
Exchange gain	**3,003**	–
	23,257	124
	322,373	240,262

6. FINANCE COSTS

	Six months ended 30 June	
	2007	2006
	RMB'000 **(Unaudited)**	*RMB'000* (Unaudited)
Interest on:		
Bank loans wholly repayable within five years	**1,254**	1,363
Finance leases charges	**1**	–
	1,255	1,363

7. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging:		
Directors' remuneration	**1,993**	258
Other staff's retirement benefits scheme contributions	**9**	793
Other staff costs	**7,219**	7,537
	9,221	8,588
Less: Staff costs included in research and development costs	**(335)**	(333)
	8,886	8,255
Depreciation	**2,797**	2,082
Less: Depreciation included in research and development costs	**(133)**	(133)
	2,664	1,949
Operating lease rentals in respect of		
– land use rights	**126**	126
– rented premises	**472**	102
Research and development cost	**630**	692

8. TAXATION

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PRC income tax	**–**	32,122
Deferred taxation *(note 18)*	**–**	1,584
	–	33,706

PRC income tax is calculated at the applicable rates in accordance with the relevant laws and regulations in the PRC.

Pursuant to the Income Tax Law for the Foreign Investment Enterprises and Foreign Enterprises in the PRC, certain Group's PRC subsidiaries, which were qualified as Production Enterprises during the year 2006, shall be entitled to exemption from PRC income tax for two years commencing from their first profit making year of operation and thereafter, these PRC subsidiaries will be entitled to a 50% relief from PRC income tax for the following three years.

9. DIVIDENDS

No dividends have been paid or declared by the Company since its incorporation. The dividends paid during the six months ended 30 June 2006 represented dividends distributed by Fujian Sanai to its then shareholders before the completion of the Group Reorganisation.

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period attributable to equity holders of the Company of RMB142,817,000 (2006: RMB67,227,000) and on the weighted average number of 1,634,689,419 (2006: 1,049,600,000) shares in issue throughout the year on the assumption that the Group Reorganisation has been effective on 1 January 2005.

No diluted earnings per share is presented as the assumed conversion of the Group's convertible bonds since their issuance would result in an increase in profit per share.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment with a cost of RMB4,185,000 (2006: RMB44,065,000).

The net book value of furniture, fixtures and equipment of RMB5,858,000 (2006: RMB5,898,000) includes an amount of RMB21,000 (2006: Nil) in respect of assets held under finance leases.

12. TRADE AND OTHER RECEIVABLES

	30 June 2007	31 December 2006
	RMB'000 **(Unaudited)**	*RMB'000* (Audited)
Trade receivables	**122,741**	135,012
Other receivables	**302**	2,376
	123,043	137,388

The Group normally grants credit terms of 30 days to 60 days to its customers. The following is an aged analysis of trade receivables at the balance sheet date:

	30 June 2007	31 December 2006
	RMB'000 **(Unaudited)**	*RMB'000* (Audited)
Age		
0 to 30 days	**65,311**	69,294
31 to 60 days	**57,430**	65,718
	122,741	135,012

13. TRADE AND OTHER PAYABLES

	30 June 2007	31 December 2006
	RMB'000 **(Unaudited)**	*RMB'000* (Audited)
Trade payables		
– a related company *	**2,723**	1,205
– others	**42,041**	56,642
	44,764	57,847
Other tax payables	**9,564**	10,056
Accrued charges	**19,417**	9,894
Obligation under finance leases *(note 16)*	**4**	–
Payroll and welfare payables	**648**	415
Payable for acquisition of property, plant and equipment	**–**	2,704
Others	**1,057**	1,655
	75,454	82,571

* The related company is Fuzhou Hongyu, a company controlled by Mr. Lin Ou Wen who is a Director of the Company and has beneficial interest in the Company.

The following is an aged analysis of trade payables at the balance sheet date:

	30 June 2007	31 December 2006
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Age		
0 to 30 days	**24,885**	32,668
31 to 60 days	**19,879**	25,179
	44,764	57,847

14. SHORT-TERM BANK LOANS

The bank loans carry fixed interest rates in the range of 6.732% – 7.344% (31/12/2006: 6.138% – 6.696%) per annum.

15. OTHER FINANCIAL LIABILITY

The other financial liability at 31 December 2006 represents the financial liability from the put option (details of the put option are set out in note 22 to consolidated financial statements in the annual consolidated financial statements of the Company for the year ended 31 December 2006). The put option lapsed upon completion of the initial offer for subscription of the shares of the Company to the public on 1 February 2007.

16. OBLIGATIONS UNDER FINANCE LEASES

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is 5 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 5.6% to 8.0%. No arrangements have been entered into for contingent rental payments.

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2007	31 December 2006	**30 June 2007**	31 December 2006
	RMB'000 **(Unaudited)**	*RMB'000* (Audited)	***RMB'000*** **(Unaudited)**	*RMB'000* (Audited)
Amounts payable under finance leases				
Within one year	**6**	–	**4**	–
In more than one year but not more than two years	**6**	–	**5**	–
In more than two years but not more than three years	**6**	–	**5**	–
In more than three years but not more than four years	**6**	–	**5**	–
In more than four years but not more than five years	**3**	–	**3**	–
	27	–	**22**	–
Less: future finance charges	**(5)**	–	**N/A**	N/A
Present value of lease obligations	**22**	–	**22**	–
Less: Amount due for settlement with 12 months *(note 13)*			**(4)**	–
Amount due for settlement after 12 months			**18**	–

17. PLEDGED OF ASSETS

The Group has pledged land having a net book value of approximately RMB3,932,000 (2006: nil) to secure general banking facilities granted to the Group.

18. DEFERRED TAXATION

The following is the deferred tax liabilities recognised and movements thereon during the period:

	Deferred product development costs and patents *RMB'000* (Unaudited)
At 1 January 2006	2,079
Charged to condensed consolidated income statement for the period *(note 8)*	1,584
At 30 June 2006	3,663
Charged to consolidated income statement for the period	924
At 31 December 2006	4,587
Charged to condensed consolidated income statement for the period *(note 8)*	–
At 30 June 2007	4,587

19. PAID-IN CAPITAL

	Number of shares	**Amount** *HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2007 and 30 June 2007	3,200,000,000	32,000
Issued and fully paid:		
At 1 January 2007	1,280,000,000	12,800
Issue of shares under the Global offering *(Note a)*	429,772,500	4,298
At 30 June 2007	1,709,772,500	17,098

Shown in the consolidated balance sheet at 30 June 2007 as RMB17,098,000 (31 December 2006: RMB12,800,000).

Notes:

(a) On 1 February 2007, 363,000,000 ordinary shares of HK$0.01 each of the Company were issued at a price of HK$1.80 per share by way of placing and public offer. On the same date, the Company's shares were listed on the Main Board of the Stock Exchange.

On 5 February 2007, an over-allotment option was exercised and a further 66,772,500 shares of HK$0.01 each were issued at a price of HK$1.80 per share.

All the shares issued during the period rank pari passu with the then existing shares in all respects.

20. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group was committed to make the following future minimum lease payments in respect of rented premises under non-cancellable operating leases which fall due as follows:

	30 June 2007	31 December 2006
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within one year	**966**	966
In the second to fifth year inclusive	**1,086**	1,569
	2,052	2,535

21. CAPITAL COMMITMENTS

	30 June 2007	31 December 2006
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of – intangible assets	**8,100**	8,100

22. RELATED PARTY TRANSACTIONS

During the period, the Group has the following significant transactions with its related parties:

Name of related party	Relationship with related party	Nature of transaction	Six months ended 30 June 2007	2006
			RMB'000 **(Unaudited)**	*RMB'000* (Unaudited)
Fuzhou Hongyu	Company controlled by Mr. Lin Ou Wen	Purchase of packaging materials	**7,322**	14,959
Mr. Lin Qin Xiang	Brother of Mr. Lin Ou Wen and Mr. Lin Qing Ping*	Property rentals paid	**102**	204

* Messrs. Lin Ou Wen and Lin Qing Ping are directors of the Company and have beneficial interests in the Company.

23. POST BALANCE SHEET EVENT

Subsequent to 30 June 2007, Fujian Sanai, acquired a piece of land for an aggregate consideration of approximately RMB14,549,000 to facilitate its expansion plan of its production facility. The expansion plan is originally only to be undertaken at the existing factory. However, taking into account the need to reserve space for building additional production lines, the management signed an agreement with the local government of Jianyang, Fujian to acquire a 230 mu (畝) (153,410 square meters) piece of land on 20 July 2007 to facilitate the expansion.

BUSINESS REVIEW

Wuyi Pharmaceutical achieved satisfactory interim results for the six months ended 30 June 2007. Turnover amounted to RMB299 million, representing an increase of 24.6% over the same period of last year (30 June 2006: RMB240 million). Besides, benefited from the income tax exemption enjoyed by the Company during the period under review, profit attributable to equity holders surged to RMB143 million during the period, representing a substantial increase of 112.4% from the same period of last year (30 June 2006: RMB67 million).

The PRC pharmaceutical market continued to grow in the first half of this year. As one of the leading specialty pharmaceutical groups in the PRC, Wuyi Pharmaceutical also benefited from such trend. The Company recorded satisfactory results in the first half of the year, mainly due to the following three factors:

1. *Expansion of the Marketing Network*

During the period under review, the Company has established a marketing network that spans across 22 key provinces, municipalities, autonomous regions and directly administered municipalities, of which 3 provinces and municipalities, including Xinjiang were added during this year. Until now, the network has achieved more than half of its targets regarding the marketing of products. Meanwhile, the Company also adhered to its business expansion strategy and committed to expanding its sales and distribution network. During the period under review, the Company's distributors increased to 57 from 49 in 2006, effectively boosting the sales of its products.

2. *Exploration of the Rural End Market*

Besides expanding and strengthening the marketing network in the cities, the Company targeted at rural areas where pharmaceutical products are in shortage. In view of the recent regulations of the Chinese government that stipulate the provision of medical subsidies and compensations to rural residents, the Company actively explored the rural end market and cooperated with large pharmaceutical distribution enterprises such as Fujian Jointown, Hubei Jointown, Henan Jointown and Guangdong Jointown to facilitate the distribution of the Company's products in the rural community, with a view to capturing business opportunities that arised in the rural pharmaceutical market in rural areas. Such move has brought economic benefit to the Company in the first half of this year.

3. *Expansion of Product Types is Making Contribution*

In order to ensure its long term steady and sustainable development, the Company placed much emphasis on market researches and was committed to adjusting product structure and optimizing product mix according to market demand. During the period under review, the five new types of pharmaceuticals including Amikacin Sulfate injection launched in the second half of last year generated substantial sales income and profit for the Company. Meanwhile, the Company selected and launched three new types of pharmaceuticals including Compound Male Fern Rhizome and Aspirin Tablets from its 100 products with approved document numbers in June this year. Such products also made contribution during the period under review.

FUTURE DEVELOPMENT

The management believes that the reform of medical policies will lead to the expansion in the scale of medical care structure, while the market demand for high quality pharmaceutical products will be on the rise. Leveraging on its leading market position, the Company believes it has sufficient competitive strengths to capture the enormous business opportunities in the pharmaceutical market.

1. *Further Expansion of the Marketing Network*

The management expects that in the second half of this year, three to four sales points will be added to the sales network that now spans across 22 provinces, municipalities and directly administered municipalities. Moreover, the Company will continue to explore the rural end market given the growth potential of the pharmaceutical market in the rural areas. The Company is now working with Jointown, the largest logistics and distribution company in the PRC, and has commenced cooperation with Jointown's six branch companies in Guangdong, Shanghai, Hubei, Henan, Fujian and Xinjiang respectively. These branch companies mainly distribute products to the rural villages and communities. It is expected that such cooperation will bring a sales income of approximately RMB50 million to the Company during this year.

2. *Strengthen Research and Development Capability*

The review and approval procedures of the Center for Drug Evaluation and Research are now more stringent than before. Under the new requirements, the evaluation and research staff have to conduct on-site inspection in each of the pharmaceutical enterprises. The Company's new drug Perilla Oil Capsule has successfully passed the on-site inspection of the State Food and Drug Administration in the first half of this year. Since the inspection lengthened the review and approval process, this key product (Perilla Oil Capsule) which the Company originally scheduled to launch into the market in the first half of this year will receive approval at a time later than expected. However, the Company remains fully confident in the new product and expects to obtain the production permit from the relevant authority in September this year. The Company expects the product will be launched to the market in the fourth quarter of this year.

In order to expedite the research and development of the new product and leverage on the scientific and technological strengths of outside parties, Fujian Sanai, the wholly-owned subsidiary of the Company, signed an agreement to jointly set up a Research Laboratory with the Peking University (Peking University's Faculty of Medicine) on 10 July 2007. Fujian Sanai is by far the second enterprise that cooperates with the Peking University's Faculty of Medicine, demonstrating the recognition of Peking University's Faculty of Medicine to Fujian Sanai's strengths and the relevant brands that it produces. Pursuant to the agreement, the Peking University will assign its Faculty of Medicine experts to conduct researches on new drug with proprietary intellectual property rights for "Peking University Sanai New Drugs Research Laboratory". In case the research is successful, Fujian Sanai has the right to share the research results and enjoy the exclusive license on production.

3. *Enlargement of Plants to Enhance Productive Capacity*

To cater for the growth in market demand, Fujian Sanai has made substantial changes to its expansion plan of production facility. The original plan focuses only on extension within the existing plant area, while the management intends to provide further rooms for future extension. Accordingly, Fujian Sanai signed an agreement with the government of Jianyang Municipality of Fujian on 20 July 2007 to acquire 230 mu (畝) (153,410 square metres) of land for overall planning. The new plant constructed in Phase One will have an area of approximately 60,000 square metres, which will be 5 times the area of Fujian Sanai's existing preparation production plant. After the new production line commences production, the production capacity will be 3 times of the existing capacity. The significant changes to the aforesaid extension plan has demonstrated that the management not only takes into consideration the current production needs but is also confident in the business development prospect in the long and medium term.

The highly competitive pharmaceutical market will undergo consolidation, resulting in our overall more standardized market operation. The Company is actively seeking merger and acquisition opportunities to further enlarge the enterprise. At present, negotiations in relation to the Company's acquisition of a Chinese pharmaceutical company and a western pharmaceutical company are in progress. It is expected that one of these projects will be implemented by the end of this year.

FUTURE PROSPECTS

The pharmaceutical industry of the PRC is an emerging industry. According to the information of National Bureau of Statistics of the PRC, the cumulative gross industrial output value of the PRC pharmaceutical industry amounted to RMB532.37 billion in 2006, representing a year-on-year increase of 18% and demonstrating a relatively steady growth trend. With the continuous rapid growth of the PRC economy, the population's income and individual medical expenditure will continue to increase, which will in turn lead to the increase in the number of medical insurance policy holders. In view of the support of government policies to allocate bountiful resources to the medical and hygienic area, the Company anticipates that it will maintain rapid growth in the coming years.

With the National Development and Reform Commission adjusting the prices of pharmaceuticals for the last time in April, the Company believes that future prices of pharmaceuticals will be determined by the market. As a large-scale pharmaceutical enterprise, Wuyi Pharmaceutical is optimistic about its prospect. In light of the PRC government's implementation of more in-depth reforms in the pharmaceutical market and increasing its effort in regulating the pharmaceutical industry, pharmaceutical manufacturing enterprises will have to comply with more stringent and standardized requirements. This will create excellent opportunities for pharmaceutical manufacturing enterprises with capital, technology, brand and scale advantages.

In view of Wuyi Pharmaceutical's fundamentals for rapid expansion and our optimistic development prospects, the management believes that Wuyi Pharmaceutical will maintain a healthy and rapid development.

FINANCIAL REVIEW

– *Turnover*

The Company's turnover amounted to RMB299 million (30 June 2006: RMB240 million), representing an increase of 24.6% over the same period of last year. The five new types of pharmaceuticals including Amikacin Sulfate Injection launched in the second half of last year generated substantial sales income for the Company during the period under review. Meanwhile, the Company selected and launched three new types of pharmaceuticals including Compound Male Fern Rhizome and Aspirin Tablets from its 100 products with approved document numbers in June this year, the contribution of which was also reflected during the period under review. Such new products in aggregate accounted for approximately 7.2% of the overall sales income. In addition, the Company was engaged in the production and sales of bulk pharmaceuticals made from the raw materials powder of N(2)-L-Alany-L-Glutamine in the first half of the year. The self production of bulk pharmaceuticals not only reduces the production cost of N(2)-L-Alanyl-L-Glutamine, but also increases its net profit margin. During the period under review, external sales of such raw materials also increased the Company's sales income by approximately RMB16 million.

Turnover during the first half of the year was still driven by western pharmaceuticals, which recorded a turnover of RMB198 million, 66.2% of the total turnover, and representing an increase of 59.7% from the same period of last year (30 June 2006: RMB124 million, 51.7% of the total turnover). Turnover from Chinese medicine products amounted to RMB101 million, 33.8% of total turnover, and representing a decrease of 12.9% from the same period of last year (30 June 2006: RMB116 million, 48.3% of the total turnover). Sales of western pharmaceutical N(2)-L-Alanyl-L-Glutamine continued to top the list, with realized sales income amounting to approximately RMB52 million and accounting for approximately 17.4% of the total sales income (30 June 2006: RMB46 million, accounting for approximately 19.2% of the total sales income). Sales income from the five best selling products reached approximately RMB169 million, accounting for approximately 56.5% of the total sales income (30 June 2006: RMB142 million, accounting for approximately 59.2% of the total sales income).

– *Gross profit and Gross Profit Margin*

The Company's gross profit amounted to RMB148 million (30 June 2006: RMB118 million), representing an increase of 26.1% from the same period of last year. Gross profit margin was 49.6% (30 June 2006: 49.0%), increase approximately 0.6% from the same period of last year. The increase in gross profit and gross profit margin was mainly attributable to the continual increase in sales income, the ongoing optimization of product structure, and the production of pharmaceutical types with high return and huge economic benefit. It is also due to the fact that, the Company selected product types with promising market prospect from more than 100 products with approved document numbers, launched them for sale and succeeded in increasing sales income. Moreover, the Company commenced the production of N(2)-L-Alany-L-Glutamine, the raw materials powder needed for N(2)-L-Alanyl-L-Glutamine, the best selling product of the Company, from February this year, the cost of self-produced raw powder is substantially lower than the cost of powder procured from outside sources, enabling the Company's gross profit margin to surge from 51.4% to 64.9%.

– ***Profit for the year***

In addition, the Company's major wholly-owned subsidiaries in the PRC enjoyed the preferential tax treatment of exemption for first two years and thereafter, 50% relief for the following three years during the period under review (taxation during the six months ended 30 June 2006: RMB33,706,000). As such, profit attributable to equity holders during the period reached RMB142,817,000, representing a significant increase of 112.4% from the same period last year (30 June 2006: RMB67,227,000). Besides, surtax from core business in the first half of this year decreased by RMB3,936,000 from the same period last year, mainly because the Company's major wholly-owned subsidiaries in the PRC were exempted from Urban Construction tax while the Education Surtax was reduced from 4% to 1% during the tax exemption period. Lastly, administrative expenses increased to RMB21,969,000 (30 June 2006: RMB7,394,000), mainly attributable to the administrative and professional fees incurred after the listing of the Company in Hong Kong Stock Exchange on 1 February this year and the relevant professional fees incurred in the Hong Kong and global offering of shares, which amounted to RMB11,300,000 in total.

– ***Liquidity and Financial Resources***

The Group maintains a stable financial position. As at 30 June 2007, the Group had bank balances and cash of approximately RMB981 million (31 December 2006: approximately RMB200 million) and short-term bank loans of RMB35 million (31 December 2006: RMB43 million). All short-term bank loans were denominated in RMB and at prevailing market interest. During the period, the Group did not use any financial instruments for any hedging purpose.

The gearing ratio representing the ratio of short-term bank loans to total equity of the Group was 3.0% as at 30 June 2007 (31 December 2006: 22.1%).

– ***Exposure to fluctuation in exchange rates***

For the six months ended 30 June 2007, the Group conducted its business transactions principally in Renminbi. The Group has not experienced any material difficulties or negative impacts on its operations as a result of fluctuations in currency exchange rates. Although the Group has certain bank balances denominated in Hong Kong dollars, the Group adopts a conservative financial policy and all of its bank deposits are in Renminbi and Hong Kong dollars. As at 30 June 2007, the Group did not have any bank liabilities, foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purpose. Therefore, the Group is not exposed to any material interest and exchange risks.

– ***Significant Acquisitions and Disposals of Investments***

During the period under review, the Group did not have any significant acquisition and disposal of investment.

– ***The Number and Remuneration of Employees***

As at 30 June 2007, the Group employed approximately 346 employees. The Group determines staff remuneration in accordance with prevailing market salary scales, individual qualifications and performance. Remuneration packages including performance bonuses and entitlements to share options are reviewed on regular basis.

– ***Charges on Group Assets***

As at 30 June 2007, land use rights of approximately RMB4 million (31 December 2006: Nil) have been pledged to bank to secure short-term bank loan of the group. In addition, the net book value of furniture, fixtures and equipment of RMB5,858,000 (31 December 2006: RMB5,898,000) includes an amount of RMB21,000 (31 December 2006: Nil) in respect of assets held under financial leases.

– ***Contingent Liabilities***

As at 30 June 2007, the Group did not have any contingent liabilities.

– ***Use of Proceeds***

The proceeds from the Company's issue of new shares in February 2007 as a result of initial public offering on the Main Board of the Stock Exchange, less listing expenses, amounts to approximately HK$692.5 million (including approximately HK$114.5 million raised from the over-allotment of option in February 2007).

During the period under review, the Company applied approximately HK$233 million (equivalent to approximately RMB230 million) and approximately HK$116 million (equivalent to approximately RMB115 million) to the capital injection in our two major subsidiaries Fujian Sanai and Fuzhou Sanai respectively. The capital injected to those subsidiaries is intended to be used in the construction and expansion of new plants and production lines in Fuzhou and Jianyang. In addition, approximately HK$62 million (equivalent to approximately RMB62 million) has been used for repayment of an interest-free shareholder's loan for the acquisition of a 40% interest in Fuzhou Sanai from Mr. Lin Ou Wen.

The remaining balance of proceeds was placed in short term deposits with licensed commercial banks in both Hong Kong and the PRC.

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2007. Accordingly, no closure of the Register of Members of the Company is proposed.

SHARE OPTION SCHEME

The Company's share option scheme was adopted on 8 January 2007 by the way of passing resolutions by all the shareholders of the Company. For the six months ended 30 June 2007, no share option has been granted under the share option scheme.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2007, the interests or short positions of the Directors and Chief Executives in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

Name of Directors	**Company/ name of associated corporation**	**Capacity**	**Number of Shares** *(Note 1)*	**Approximate percentage of interest**
Mr. Lin Ou Wen	The Company	Controlled corporation *(Note 2)*	248,704,000 (L)	14.55%
		Interest of spouse *(Note 3)*	38,580,979 (L)	2.25%
Mr. Lin Qing Ping	The Company	Controlled corporation *(Note 4)*	331,520,000 (L)	19.39%
Mr. Xu Chao Hui	The Company	Controlled corporation *(Note 5)*	105,088,000 (L)	6.15%
Mr. Dennis Luan Thuc Nguyen	The Company	Controlled corporation *(Note 6)*	70,400,000 (L)	4.12%
Mr. Tang Bin	The Company	Controlled corporation *(Note 7)*	75,392,000 (L)	4.41%

Notes:

1. The letter "L" denotes long position in the Shares.

2. These Shares are registered in the name of Thousand Space Holdings Limited, which is wholly owned by Mr. Lin Ou Wen who is deemed to be interested in all the Shares in which Thousand Space Holdings Limited is interested by virtue of the SFO.

3. 123,776,000 Shares are registered in the name of Orient Day Management Limited, which is owned as to 23.38%, 45.45% and 31.17% by Mr. Lin Qing Mei, Mr. Liu Dao Hua and Ms. Xue Mei respectively. Mr. Lin Ou Wen is deemed to be interested in all the Shares in which Ms. Xue Mei, his spouse, is interested by virtue of the SFO.

4. These Shares are registered in the name of Bright Elite Management Limited, which is wholly owned by Mr. Lin Qing Ping, our Executive Director, who is deemed to be interested in all the Shares in which Bright Elite Management Limited is interested by virtue of the SFO.

5. These Shares are registered in the name of Loyal More Group Limited, which is owned as to 66.67% and 33.33% of its entire share capital by Mr. Xu Chao Hui, our Executive Director, and Mr. Chen Bo Mei respectively. Mr. Xu Chao Hui is deemed or taken to be interested in all the Shares in which Loyal More Group Limited is interested by virtue of the SFO.

6. These Shares are registered in the name of New Asia Partners Investment Holdings Limited ("NAP"), which is wholly owned by Paradigm Capital Limited. Ms. Fan Li Rong, spouse of Mr. Dennis Luan Thuc Nguyen, holds 100% of the share capital in Paradigm Capital Limited. Mr. Dennis Luan Thuc Nguyen, our Executive Director, is deemed or taken to be interested in all the Shares in which NAP is deemed or taken to be interested by virtue of the SFO.

7. These Shares are registered in the name of Good East Management Limited, which is owned as to 64.52% and 35.48% of its entire share capital by Mr. Tang Bin, our Non-executive Director, and Mr. Chen Shi Yan respectively. Mr. Tang Bin is deemed or taken to be interested in all the Shares in which Good East Management Limited is interested by virtue of the SFO.

Save as disclosed above, none of the Directors or Chief Executive of the Company is aware of any other Director or Chief Executive of the Company who has any interests or short positions in any shares and underlying shares in, and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 June 2007.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the first six months of 2007 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; nor was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouses or minor children to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

So far as is known to any Director or Chief Executive of the Company, as at 30 June 2007, the interests and short positions of the following shareholders, other than a Director or Chief Executive of the Company, in the shares or underlying shares or debentures of the Company which would have to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO are as follows:

Name of Shareholder	Company/ name of subsidiary	Capacity	Number of Shares *(Note 1)*	Approximate percentage of shareholding
Bright Elite Management Limited	The Company	Beneficial owner	331,520,000 (L)	19.39%
Mr. Lin Qing Ping	The Company	Controlled corporation *(Note 2)*	331,520,000 (L)	19.39%
Thousand Space Holdings Limited	The Company	Beneficial owner	248,704,000 (L)	14.55%
Mr. Lin Ou Wen	The Company	Controlled corporation *(Note 3)*	248,704,000 (L)	14.55%
		Interest of spouse *(Note 4)*	38,580,979 (L)	2.25%
Ms. Xue Mei	The Company	Interest of spouse *(Note 4)*	248,704,000 (L)	14.55%
		Controlled corporation *(Note 4)*	38,580,979 (L)	2.25%
Orient Day Management Limited	The Company	Beneficial owner	123,776,000 (L)	7.24%
Mr. Liu Dao Hua	The Company	Controlled corporation *(Note 4)*	123,776,000 (L)	7.24%
Orchid Asia III, L.P.	The Company	Beneficial owner	117,952,000 (L)	6.90%
Orchid Asia Group Management Limited	The Company	Controlled corporation *(note 5)*	117,952,000 (L)	6.90%

Name of Shareholder	Company/ name of subsidiary	Capacity	Number of Shares *(Note 1)*	Approximate percentage of shareholding
Orchid Asia Group Limited	The Company	Controlled corporation *(note 5)*	117,952,000 (L)	6.90%
YM Investment Limited	The Company	Controlled corporation *(note 6)*	121,600,000 (L)	7.11%
Ms. Lam Lai Ming	The Company	Controlled corporation *(note 7)*	121,600,000 (L)	7.11%
Mr. Gabriel Li	The Company	Interest of Spouse *(note 8)*	121,600,000 (L)	7.11%
Loyal More Group Limited	The Company	Beneficial owner	105,088,000 (L)	6.15%
Mr. Xu Chao Hui	The Company	Controlled corporation *(Note 9)*	105,088,000 (L)	6.15%
Mr. Chen Bo Mei	The Company	Controlled corporation *(Note 9)*	105,088,000 (L)	6.15%
Pope Investments LLC	The Company	Beneficial owner	102,400,000 (L)	5.99%
Pope Asset Management LLC	The Company	Controlled corporation *(note 10)*	102,400,000 (L)	5.99%
Wells William P	The Company	Controlled corporation *(note 10)*	102,400,000 (L)	5.99%
Credit Suisse (Hong Kong) Limited	The Company	Beneficial owner	133,545,000 (L) 66,772,500 (S)	7.81% 3.90%
Credit Suisse (International) Holding AG	The Company	Controlled corporation *(notes 11 and 12)*	133,545,000 (L) 66,772,500 (S)	7.81% 3.90%
Credit Suisse	The Company	Controlled corporation *(notes 11 and 12)*	133,545,000 (L) 66,772,500 (S)	7.81% 3.90%

Notes:

(1) The letters "L" and "S" denote long position and short position in the Shares respectively.

(2) These Shares are registered in the name of Bright Elite Management Limited, which is wholly owned by Mr. Lin Qing Ping, our Executive Director, who is deemed to be interested in all the Shares in which Bright Elite Management Limited is interested by virtue of the SFO.

(3) These Shares are registered in the name of Thousand Space Holdings Limited, which is wholly owned by Mr. Lin Ou Wen who is deemed to be interested in all the Shares in which Thousand Space Holdings Limited is interested by virtue of the SFO.

(4) These Shares are registered in the name of Orient Day Management Limited, which is owned as to 23.38%, 45.45% and 31.17% by Mr. Lin Qing Mei, Mr. Liu Dao Hua and Ms. Xue Mei, spouse of Mr. Lin Ou Wen, respectively, therefore Mr. Liu Dao Hua is deemed to be interested in the Shares held by Orient Day Management Limited for the purpose of the SFO. Ms. Xue Mei is the spouse of Mr. Lin Ou Wen, therefore, she is deemed to be interested in the Shares of which Mr. Lin Ou Wen is deemed to be interested in for the purpose of the SFO and vice versa.

(5) These Shares are registered in the name of Orchid Asia III, L.P., which is controlled by Orchid Asia Group Management Limited, which in turn controlled by Orchid Asia Group Limited.

(6) Among these Shares, 3,648,000 Shares are registered in the name of Orchid Asia Co-Investment Limited, which is controlled by YM Investment Limited and the remaining 117,952,000 Shares are registered in the name of Orchid Asia III, L.P., which is controlled by Orchid Asia Group Management Limited, which is controlled by Orchid Asia Group Limited, which in turn controlled by YM Investment Limited.

(7) Among these Shares, 3,648,000 Shares are registered in the name of Orchid Asia Co-Investment Limited, which is controlled by YM Investment Limited, which in turn controlled by Ms. Lam Lai Ming and the remaining 117,952,000 Shares are registered in the name of Orchid Asia III, L.P., which is controlled by Orchid Asia Group Management Limited, which is controlled by Orchid Asia Group Limited, which is controlled by YM Investment Limited, which in turn controlled by Ms. Lam Lai Ming.

(8) Among these Shares, 3,648,000 Shares are registered in the name of Orchid Asia Co-Investment Limited, which is controlled by YM Investment Limited, which in turn controlled by Ms. Lam Lai Ming and the remaining 117,952,000 are registered in the name of Orchid Asia III, L.P., which is controlled by Orchid Asia Group Management Limited, which is controlled by Orchid Asia Group Limited, which is controlled by YM Investment Limited, which in turn controlled by Ms. Lam Lai Ming, spouse of Mr. Gabriel Li, therefore, Mr. Gabriel Li is deemed to be interested in all Shares of which Ms. Lam Lai Ming is deemed to be interested in for the purpose of SFO.

(9) These Shares are registered in the name of Loyal More Group Limited, which is owned as to 66.67% and 33.33% of its entire share capital by Mr. Xu Chao Hui, our Executive Director, and Mr. Chen Bo Mei respectively, therefore, Messrs. Xu Chao Hui and Chen Bo Mei are deemed to be interested in all the Shares held by Loyal More Group Limited for the purpose of the SFO.

(10) These Shares are registered in the name of Pope Investments LLC, which is controlled by Pope Asset Management LLC, which in turn controlled by Wells William P.

(11) These Shares are registered in the name of Credit Suisse (Hong Kong) Limited, which is owned as to 94.75% by Credit Suisse (International) Holding AG, which in turn wholly owned by Credit Suisse. Therefore, Credit Suisse (Hong Kong) Limited, Credit Suisse (International) Holding AG and Credit Suisse are deemed or taken to be interested in all the Shares held by Credit Suisse (Hong Kong) Limited for the purpose of the SFO.

(12) These Shares are registered in the name of Credit Suisse (Hong Kong) Limited, which is owned as to 94.75% by Credit Suisse (International) Holding AG, which in turn wholly owned by Credit Suisse. Therefore, Credit Suisse (Hong Kong) Limited, Credit Suisse (International) Holding AG and Credit Suisse are deemed to hold or hold a short position of 66,772,500 Shares as defined under Part XV of the SFO.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company which would have to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO as at 30 June 2007.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2007.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provision of the Code on Corporate Governance Practices (the "Code") of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). The Company had complied with the provision of the Code set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") throughout the accounting period covered by the interim report, except for a deviation from provision A.2.1 of the Code that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The roles of Chairman and Chief Executive Officer of the Company have been performed by Mr. Lin Ou Wen. The Board considers that vesting the roles of Chairman and Chief Executive Officer in the same person facilitates the execution of the Company's business strategies and maximizes the effectiveness of its operations.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as the Company's own code for securities transactions by its Directors. Following specific detailed enquiries made with all Directors, the Company confirms that all Directors have fully complied with the required standards set out in the Model Code during the six months ended 30 June 2007.

The Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules and appointed three independent non-executive Directors including one with financial management expertise, details of their biographies were set out in the 2006 Annual Report of the Company.

AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Rule 3.21 of the Listing Rules. The audit committee, which comprises the three Independent Non-executive Directors, has reviewed the accounting principles and practices adopted by the Company as well as auditing, internal control and financial reporting matters, including the review of the unaudited interim results for the six months ended 30 June 2007. The financial statements of the Company for the period ended 30 June 2007 have been reviewed and approved by the audit committee, who are of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The remuneration committee, which comprises the three Independent Non-executive Directors and two Executive Directors, is responsible for reviewing and determining the appropriate remuneration policies of the Directors and senior management and making recommendations to the Board from time to time.

NOMINATION COMMITTEE

The nomination committee, which comprises the three Independent Non-executive Directors and two Executive Directors, is responsible for determining the criteria for identifying candidates suitably qualified, reviewing nominations for the appointment of Directors to the Board and making recommendations to the Board regarding any proposed changes.

REVIEW OF RESULT

The audit committee has reviewed with management the accounting principles and practices adopted by the Company and discussed internal control and financial reporting matters including the review of the unaudited financial statements of the Company for the six months ended 30 June 2007.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITES OF STOCK EXCHANGE AND THE COMPANY

The 2007 Interim Report will be despatched to Shareholders as well as made available on Stock Exchange's website at www.hkex.com.hk and the Company's website at www.wuyi-pharma.com.

On behalf of the Board

LIN ON WEN
Chairman

Hong Kong, 5 September 2007