聯邦制藥國際控股有限公司
The United Laboratories International Holdings Limited

(A company incorporated in the Cayman Islands with limited liability) (Stock Code: 3933)

Interim Report

2009

Contents

The United Laboratories International Holdings Limited

Interim Report 2009

Financial Highlight

	Six months ended 30 June		
	2009	2008	Increase/
	HK$'000	*HK$'000*	(decrease)
Revenue	**2,076,173**	1,971,720	5.3%
EBITDA	**419,661**	545,276	(23.0%)
Profit before taxation	**200,800**	367,975	(45.4%)
Profit attributable to owners of the Company	**134,445**	300,039	(55.2%)
Earnings per share attributable to owners of the Company	**HK11.2 cents**	HK25.0 cents	(55.2%)

Corporate Information

BOARD OF DIRECTORS

Executive directors

Mr. Choy Kam Lok *(Chairman)*
Ms. Peng Wei *(General manager)*
Mr. Leung Wing Hon
Mr. Tsoi Hoi Shan

Non-executive director

Ms. Choy Siu Chit

Independent non-executive directors

Mr. Chong Peng Oon
Mr. Huang Bao Guang
Mr. Song Ming

COMPANY SECRETARY

Mr. Leung Wing Hon *(CPA)*

AUTHORISED REPRESENTATIVE

Mr. Choy Kam Lok
Mr. Leung Wing Hon

AUDIT COMMITTEE

Mr. Chong Peng Oon *(Chairman)*
Mr. Huang Bao Guang
Mr. Song Ming

REMUNERATION COMMITTEE

Mr. Chong Peng Oon *(Chairman)*
Mr. Huang Bao Guang
Mr. Song Ming

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu

REGISTERED OFFICE

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KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

6 Fuk Wang Street
Yuen Long Industrial Estate
New Territories
Hong Kong

PRINCIPAL BANKERS

China

China Merchants Bank Co., Ltd,
Shenzhen Jin Se Jia Yuan Sub-branch
HSBC Bank (China) Company Limited,
Guangzhou Branch
Industrial and Commercial Bank of China Limited,
Zhuhai Branch
Shenzhen Development Bank Co., Ltd.,
Zhuhai Branch
Shanghai Pudong Development Bank Co., Ltd.,
Guangzhou Science City Sub-branch
Bank of China Limited, Zhuhai Branch

Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
Wing Lung Bank Limited
Hang Seng Bank Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

WEBSITE

www.tul.com.cn

Report on Review of Interim Financial Information

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF
THE UNITED LABORATORIES INTERNATIONAL HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 5 to 20, which comprises the condensed consolidated statement of financial position of The United Laboratories International Holdings Limited (the "Company") and its subsidiaries as of 30 June 2009 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 9 September 2009

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2009

	Notes	Six months ended 30 June 2009 (Unaudited) HK$'000	2008 (Unaudited) HK$'000
Revenue	4	**2,076,173**	1,971,720
Cost of sales		**(1,334,096)**	(1,182,808)
Gross profit		**742,077**	788,912
Other income	5	**13,200**	16,248
Selling and distribution costs		**(349,909)**	(270,603)
Administrative expenses		**(126,844)**	(105,980)
Other expenses		**(27,652)**	(8,915)
Finance costs	6	**(50,072)**	(51,687)
Profit before taxation		**200,800**	367,975
Taxation	7	**(66,355)**	(67,936)
Profit for the period attributable to owners of the Company	8	**134,445**	300,039
Other comprehensive income			
Exchange differences arising on translation to presentation currency		**13,135**	126,832
Total comprehensive income for the period attributable to the owners of the Company		**147,580**	426,871
Earnings per share – Basic (HK cents)	10	**11.2**	25.0

Condensed Consolidated Statement of Financial Position

As at 30 June 2009

	Notes	30 June 2009 (Unaudited) *HK$'000*	31 December 2008 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment	*11*	**3,816,682**	3,466,393
Prepaid lease payments		**125,323**	131,921
Goodwill		**3,441**	3,428
Intangible assets		**3,620**	3,935
Deposits for acquisition of property, plant and machinery		**71,566**	128,319
Available-for-sale investment		**–**	–
Deferred tax assets		**13,182**	6,249
		4,033,814	3,740,245
Current assets			
Inventories		**637,965**	773,991
Trade and bills receivables, deposits and prepayments	*12*	**1,339,091**	1,198,190
Derivative financial instrument		**–**	3,240
Prepaid lease payments		**2,979**	3,073
Pledged bank deposits		**417,249**	286,045
Bank balances and cash		**240,111**	165,474
		2,637,395	2,430,013
Current liabilities			
Trade and bills payables and accrued charges	*13*	**1,463,935**	1,509,928
Tax payables		**39,407**	32,836
Borrowings	*14*	**1,539,212**	1,350,850
		3,042,554	2,893,614
Net current liabilities		**(405,159)**	(463,601)
Total assets less current liabilities		**3,628,655**	3,276,644
Non-current liabilities			
Borrowings	*14*	**799,677**	424,692
Deferred tax liabilities		**44,903**	35,457
		844,580	460,149
		2,784,075	2,816,495
Capital and reserves			
Share capital		**12,000**	12,000
Reserves		**2,772,075**	2,804,495
Equity attributable to owners of the Company		**2,784,075**	2,816,495

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009

	Attributable to owners of the Company						
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Capital reserve HK$'000	Foreign exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2008 (audited)	12,000	768,901	286,032	245,967	191,146	948,486	2,452,532
Change in equity during the period:							
– Exchange difference arising on translation to presentation currency	–	–	–	–	126,832	–	126,832
– Profit for the period	–	–	–	–	–	300,039	300,039
Total comprehensive income for the period	–	–	–	–	126,832	300,039	426,871
Dividend	–	–	–	–	–	(204,000)	(204,000)
At 30 June 2008 (unaudited)	12,000	768,901	286,032	245,967	317,978	1,044,525	2,675,403
At 1 January 2009 (audited)	12,000	768,901	286,032	267,092	328,940	1,153,530	2,816,495
Changes in equity during the period:							
– Exchange differences arising on translation to presentation currency	–	–	–	–	13,135	–	13,135
– Profit for the period	–	–	–	–	–	134,445	134,445
Total comprehensive income for the period	–	–	–	–	13,135	134,445	147,580
Dividend	–	–	–	–	–	(180,000)	(180,000)
At 30 June 2009 (unaudited)	**12,000**	**768,901**	**286,032**	**267,092**	**342,075**	**1,107,975**	**2,784,075**

Capital reserve represents the People's Republic of China (the "PRC") statutory reserves provided before declaring dividends to their shareholders as approved by the board of directors in accordance with the PRC regulations applicable to the Company's PRC subsidiaries.

Included in special reserve is an amount of HK$208,792,000 which represents the portion of registered capital of two PRC subsidiaries contributed by certain beneficial owners of the Company. The remaining amount of HK$77,240,000 represents the difference between the carrying amount of the minority interests acquired and the fair value of considerations paid for purchase of additional interests in subsidiaries.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Operating activities:		
Profit before taxation	**200,800**	367,975
Depreciation of property, plant and equipment	**166,389**	123,093
Finance costs	**50,072**	51,687
Other non-cash items	**(400)**	814
	416,861	543,569
Decrease (increase) in inventories	**146,929**	(241,159)
Increase in trade and bills receivables, deposits and prepayments	**(137,036)**	(339,578)
(Decrease) increase in trade and bills payables and accrued charges	**(72,868)**	286,356
Cash generated from operations	**353,886**	249,188
Tax paid	**(57,290)**	(16,765)
Interest paid	**(50,072)**	(51,687)
Net cash from operating activities	**246,524**	180,736
Investing activities:		
Payments for purchases of property, plant and equipment	**(428,505)**	(587,346)
Increase in pledged bank deposits	**(129,888)**	(174,895)
Decrease (increase) in prepaid lease payments	**5,245**	(17,764)
Other investing activities	**3,361**	4,911
Net cash used in investing activities	**(549,787)**	(775,094)
Financing activities:		
Dividend paid	**(180,000)**	(204,000)
New borrowings raised	**1,196,387**	998,100
Repayment of borrowings	**(636,269)**	(330,477)
Net cash from financing activities	**380,118**	463,623
Net increase (decrease) in cash and cash equivalents	**76,855**	(130,735)
Cash and cash equivalents at beginning of the period	**162,512**	401,211
Effect of foreign exchange rate changes	**744**	4,763
Cash and cash equivalents at end of the period	**240,111**	275,239
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**240,111**	285,910
Bank overdraft, secured	**–**	(10,671)
	240,111	275,239

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

1. BASIS OF PRESENTATION

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

2. BASIS OF PREPARATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2009, the Group has net current liabilities of HK$405,159,000 which included borrowings of HK$1,539,212,000. The directors of the Company believe the revolving bank borrowings included in current liabilities at the end of the reporting period could be successfully renewed on renewal date. Taking into account of the financial resources available to the Group, including internally generated funds, the directors of the Company are of the view that the Group has sufficient working capital for its present requirements for the next twelve months from the end of the reporting period and accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2009.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKFRS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior year adjustment has been required.

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

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure.

HKFRS 8 "Operating Segments"

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

HKAS 23 (Revised 2007) "Borrowing Costs"

In previous years, the Group expensed all borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset when they were incurred. HKAS 23 (Revised 2007) removes the option available under the previous version of the standard to recognise all borrowing costs as expenses immediately and requires all such borrowing costs to be capitalised as part of the cost of the qualifying asset. The Group has applied the transitional requirements in HKAS 23 (Revised 2007) and applied the revised accounting policy to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. As the revised accounting policy has been applied prospectively since 1 January 2009, the change has had no impact on amounts reported in prior accounting periods. In current period, no borrowing costs were capitalised.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[2]
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements[1]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised 2008)	Business Combinations[1]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 18	Transfer of Assets from Customers[4]

1 Effective for annual periods beginning on or after 1 July 2009.
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2010.
4 Effective for transfer on or after 1 July 2009.

The adoption of HKFRS 3 (Revised 2008) may affect the accounting for business combinations for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in a loss of control of a subsidiary will be accounted for as equity transactions. The directors of the Company anticipate that the application of other new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

4. 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	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Sales of goods	**2,076,173**	1,971,720

The Group is currently organised into three revenue streams – (i) sale of intermediate products ("Intermediate products"); (ii) sale of bulk medicine ("Bulk medicine"); and (iii) sale of antibiotics finished products, non-antibiotics finished products and capsule casings (together as "Finished products"). These revenue streams are the basis on which the Group reports its primary segment information.

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

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

For the six months ended 30 June 2009

	Intermediate products HK$'000	Bulk medicine HK$'000	Finished products HK$'000	Elimination HK$'000	Combined HK$'000
TURNOVER					
External sales	340,713	992,027	743,433	–	2,076,173
Inter-segment sales	556,675	90,670	–	(647,345)	–
	897,388	1,082,697	743,433	(647,345)	2,076,173
Segment profit	30,040	66,387	183,362	–	279,789
Unallocated other income					2,297
Unallocated corporate expenses					(31,214)
Finance costs					(50,072)
Profit before taxation					200,800

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

For the six months ended 30 June 2008

	Intermediate products HK$'000	Bulk medicine HK$'000	Finished products HK$'000	Elimination HK$'000	Combined HK$'000
TURNOVER					
External sales	419,040	909,916	642,764	–	1,971,720
Inter-segment sales	408,540	120,947	–	(529,487)	–
	827,580	1,030,863	642,764	(529,487)	1,971,720
Segment profit	101,147	164,941	156,696	–	422,784
Unallocated other income					5,555
Unallocated corporate expenses					(8,677)
Finance costs					(51,687)
Profit before taxation					367,975

Segment profit represents the profit earned by each segment without allocation of unallocated other income, central administration costs and staff costs, and finance costs. This is the measure reported to the chief operating decision maker for the purpose of resources allocation and performance assessment.

5. OTHER INCOME

	Six months ended 30 June	
	2009 (Unaudited) *HK$'000*	2008 (Unaudited) *HK$'000*
Bank interest income	**1,177**	4,911
Sales of raw materials	**8,004**	6,910
Subsidy income	**2,899**	3,783
Sundry income	**1,120**	644
	13,200	16,248

6. FINANCE COSTS

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

7. TAXATION

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
The charge comprises:		
Current tax		
Hong Kong Profits Tax	**7,268**	4,884
PRC enterprise income tax	**44,531**	53,211
Overprovision of PRC enterprise income tax in respect of prior year	**(3,284)**	–
Change of applicable tax rate of a subsidiary *(Note)*	**15,327**	–
	63,842	58,095
Deferred tax		
Attributable to a change in tax rate	**–**	(813)
Current year	**2,513**	10,654
	66,355	67,936

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 16.5% for the periods under review. Taxation arising in the PRC is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 25% for the six months ended 30 June 2009 (2008: 18%).

Note: The Company's subsidiary, 珠海市萬邦藥業有限公司 ("萬邦藥業"), has previously applied the concessionary tax of 18% according to the circular on the Implementation of Transitional Preferential Policies for Enterprise Income Tax by Guo Shui Fa【2007】No. 39. 萬邦藥業 received a tax notification from the State of Administration of Taxation ("SAT") for withdrawing 萬邦藥業 from applying the concessionary tax rate and required to apply the standard rate of 25% with effect from 1 January 2008. The tax expense undercharged for prior year of HK$15,327,000 was charged to profit or loss in current period.

8. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging (crediting):		
Reversal of allowance for inventories	**(7,665)**	–
Allowance for doubtful debts	**1,606**	2,613
Depreciation and amortisation		
Depreciation of property, plant and equipment	**166,389**	123,093
Amortisation:		
– intangible assets	**1,025**	1,150
– prepaid lease payments	**1,375**	1,371
	168,789	125,614

9. DIVIDEND

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Final dividend paid in respect of the year ended 31 December 2008 of 15 HK cents (year ended 31 December 2007: 17 HK cents) per ordinary share	**180,000**	204,000

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: nil).

10. BASIC EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 30 June 2009 is based on the profit attributable to the owners of the Company and the weighted average number of 1,200,000,000 (for the six months ended 30 June 2008: 1,200,000,000) shares.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

The Group spent HK$105,853,000 (for the six months ended 30 June 2008: HK$227,943,000) on construction of factory premises and HK$394,366,000 (for the six months ended 30 June 2008: HK$190,175,000) on additions to manufacturing plant in the PRC respectively, in order to upgrade its manufacturing capabilities.

12. TRADE AND BILLS RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

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

	30 June 2009 (Unaudited) ***HK$'000***	31 December 2008 (Audited) *HK$'000*
Trade receivables		
0 to 30 days	**355,694**	217,571
31 to 60 days	**196,155**	162,033
61 to 90 days	**5,359**	59,459
91 to 120 days	**838**	3,440
121 to 180 days	**72**	3,246
Over 180 days	**419**	1,288
	558,537	447,037
Bills receivables		
0 to 30 days	**71,373**	93,362
31 to 60 days	**134,275**	75,233
61 to 90 days	**116,396**	125,347
91 to 120 days	**138,782**	122,536
121 to 180 days	**211,316**	225,019
Over 180 days	**29,098**	2,658
	701,240	644,155
Deposits and prepayments	**79,314**	106,998
	1,339,091	1,198,190

13. TRADE AND BILLS PAYABLES AND ACCRUED CHARGES

The Group normally receives credit terms of 0 day to 120 days from its suppliers. The followings is an analysis of the trade and bills payables by age, presented based on the invoice date at the end of the reporting periods:

	30 June 2009 (Unaudited) *HK$'000*	31 December 2008 (Audited) *HK$'000*
Trade payables		
0 to 90 days	**563,403**	475,476
91 to 180 days	**168,541**	256,842
Over 180 days	**75,802**	17,210
	807,746	749,528
Bills payables		
0 to 90 days	**99,590**	145,466
91 to 180 days	**124,458**	159,551
	224,048	305,017
Other payables and accruals	**432,141**	455,383
	1,463,935	1,509,928

14. BORROWINGS

	30 June 2009 (Unaudited) *HK$'000*	31 December 2008 (Audited) *HK$'000*
Bank loans	**1,693,257**	1,342,134
Discounted bills with recourse	**640,727**	428,969
Trust receipt bills	**4,905**	1,477
Bank overdraft, secured	**–**	2,962
	2,338,889	1,775,542
Analysed as:		
Secured	**782,118**	886,251
Unsecured	**1,556,771**	889,291
	2,338,889	1,775,542
The borrowings are repayable as follows:		
On demand or within one year	**1,539,212**	1,350,850
More than one year, but not exceeding two years	**406,981**	136,645
More than two years, but not exceeding five years	**392,696**	288,047
	2,338,889	1,775,542
Less: Amount due within one year shown under current liabilities	**(1,539,212)**	(1,350,850)
Amount due after one year	**799,677**	424,692

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

15. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had commitments for capital expenditure of HK$241,468,000 (31 December 2008: HK$471,189,000) in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements.

16. PLEDGE OF ASSETS

At the end of the reporting period, the Group had pledged the following assets to banks as securities against banking facilities granted to the Group:

	30 June 2009 (Unaudited) *HK$'000*	31 December 2008 (Audited) *HK$'000*
Property, plant and equipment	**937,309**	897,499
Prepaid lease payments	**126,754**	120,942
Bills receivables	**66,402**	122,249
Pledged bank deposits	**417,249**	286,045
	1,547,714	1,426,735

17. RELATED PARTY TRANSACTION

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

	Six months ended 30 June	
	2009 (Unaudited) *HK$'000*	2008 (Unaudited) *HK$'000*
Fees	**735**	750
Salaries and other benefits	**2,790**	2,546
Retirement benefits scheme contribution	**34**	30
	3,559	3,326

BUSINESS REVIEW FOR THE FIRST HALF OF 2009

For the six months ended 30 June 2009, the Group's revenue was increased by 5.3% to HK$2,076.2 million as compared with the same period in the preceding year of HK$1,971.7 million. The Group's profit for the period attributable to shareholders was approximately HK$134.4 million (2008: HK$300.0 million), representing a decrease of 55.2%, as compared with the same period in the preceding year. Segmental turnover (including inter-segment sales) of intermediate products, bulk medicine and finished products were increased by 8.4%, 5.0% and 15.7% respectively for the six months ended 30 June 2009, as compared with the same period in preceding year. Segmental profit of intermediate products and bulk medicine decreased by 70.3% and 59.8% respectively and segmental profit of finished products increased by 17.0%.

In the first half of 2009, despite persistent challenges to the global economy, China has swiftly adapted itself with its economy stabilizing and on track to recovery. During the period, the Group further strengthened employee morale by adhering to the policy of "no production stoppage, no layoff, no pay cut" so as to provide a strong support for the long term development of the Group. The Group has closely monitored the changes in the market and adopted every decisive measure to take advantage of the state policy so as to establish a leading position in the industry as well as to fuel future growth.

For the six months ended 30 June 2009, the Group achieved satisfactory breakthrough and recorded the highest ever sales. As a result of the global financial tsunami, all commodity prices were negatively affected, the price of intermediate products and bulk medicines substantially dropped as compared with the second half of last year which in turn affected our results for the period. The sales volume of our three main products, namely intermediate products, bulk medicines and finished products saw continuous growth, in particular finished products, thanks to our expanded sales force of approximately 2,400 persons, which substantially increased the market coverage of our finished products and led to significant increase in turnover. Meanwhile, turnover of intermediate and bulk medicines also recorded growth.

By the end of the first half of 2009, the Group has a total of five major production bases, namely the finished products plant in Hong Kong, the finished products plant in Zhongshan, the bulk medicine plant in Zhuhai, the intermediate products plant in Chengdu, and the comprehensive integrated production plant in Inner Mongolia. The five production bases are complementary to each other by fully leveraged on an integrated vertically production model, thus reducing cost and enhancing productivity and reinforced the Group's leading position in the industry. In addition, we have increased our sales force from approximately 800 persons in 2007 to 2,400 persons in the first half of 2009 and largely increased the points of sales, thus achieving overall sales growth in both the urban and rural areas.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2009, the Group had bank deposits, cash and bank balances amounted to HK$657.4 million (31 December 2008: HK$451.5 million).

As at 30 June 2009, the Group had interest-bearing bank borrowings of approximately HK$2,338.9 million (31 December 2008: HK$1,775.5 million), which were denominated in Hong Kong dollars and Reminbi with maturity within five years. Bank borrowings of approximately HK$451.4 million are fixed rate loans while the remaining balance of approximately HK$1,887.5 million is at floating rate. The directors expect that all such bank borrowings will either be repaid by internally generated funds or rolled over upon maturity and will continue to provide funding to the Group's operations.

As at 30 June 2009, current assets of the Group amounted to approximately HK$2,637.4 million (31 December 2008: HK$2,430.0 million). The Group's current ratio was approximately 0.87 as at 30 June 2009 as compared with 0.84 as at 31 December 2008. As at 30 June 2009, the Group had total assets of approximately HK$6,671.2 million (31 December 2008: HK$6,170.3 million) and total liabilities of approximately HK$3,887.1 million (31 December 2008: HK$3,353.8 million), representing a net gearing ratio (calculated as total borrowings less cash and bank balances and pledged bank deposits to total equity) of 60.4% as at 30 June 2009, as compared with 47.0% as at 31 December 2008.

USE OF PROCEEDS FROM GLOBAL OFFERING

On 4 June 2007, the Company issued 300,000,000 ordinary shares at an offer price of HK$2.75 through international placing and public offer, the net proceeds after deducting professional fees and all related expenses were approximately HK$780,500,000. Up to 30 June 2009, the Company had applied part of the net proceeds as follow:

– approximately HK$341,000,000 for expanding and upgrading the Group's production facilities;

– approximately HK$124,100,000 for market development and expanding the Group's sales and marketing network;

– approximately HK$27,500,000 for strengthening the Group's research and development capabilities by setting up additional research and development facilities;

– approximately HK$209,200,000 for partially re-paying two of the Group's outstanding loan facilities, one of which was due in September 2007 and bearing an interest rate of 5.76% per annum and the other was due in December 2007 and bearing an interest rate of 6.12% per annum; and

– approximately HK$21,000,000 for the general working capital of the Group.

As at 30 June 2009, approximately HK$57,700,000 of the net proceeds has been deposited into banks and qualified financial institutions, and will be applied in accordance with the plans disclosed in the Company's prospectus dated 4 June 2007.

CURRENCY EXCHANGE EXPOSURES

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

CONTINGENT LIABILITIES

At 30 June 2009 and 31 December 2008, the Group had no material contingent liabilities.

OUTLOOK FOR SECOND HALF OF 2009

Looking ahead to the second half of 2009, it is generally believed that the impact of the financial tsunami on the global economy will gradually diminish and positive economic signs will show up which is likely to stimulate the pharmaceutical sector. With the State Council's RMB850 billion investments in medical reform gradually in place, medical and pharmaceutical demand in the PRC will increase significantly. The Group, being a dominant player in the PRC market with a strong sales network and sales team, is expected to secure a bigger market share. Moreover, the Group's three main products streams, intermediate products, bulk medicines and finished products are being admitted to The Catalogue of National Essential Drugs (for the Fundamental Medical and Health Institutions), which is expected to have a positive impact on our sales. Meanwhile, it is believed the medical reform as well as the launch of The Catalogue of National Essential Drugs will accelerate consolidation of the medical and pharmaceutical sector. Being a major industry player, the Group will seize every opportunity to expand its market share.

In view of such rare opportunities, the Group will continue to stay abreast of the market changes and adopt timely and effective measures to fuel our long term growth momentum. The Group will adopt the following measures to reinforce our strength and increase shareholders' return:

1. **Strengthen staff training and increase efficiency**

   Our staff is the most valuable asset of the Group. Therefore, the Group will strengthen staff training. Staff at the production bases is required to be familiarized with the workflow and quality control and acquired certain management skills to optimize our production efficiency. On the other hand, more resources will be allocated to strengthen the product knowledge, sales and marketing skills as well as customer relationship management of our sales team, with an aim to effectively enhance our brand awareness and increase sales. The Group also put in place a complete staff promotion system and human resource management system to boost staff morale for maximum return of the Group.

2. Exploration and innovation, reduce consumption, reduce costs and increase profitability

All production bases shall strictly control cost and reduce consumption. A series of measures aim at controlling cost and increasing efficiency, optimizing research and development as well as production by means of advanced technology have started to reap positive results. Cost control and efficiency enhancement will be our priority in the second half of 2009. We will strive to increase plants production efficiency and utilization rate, appropriately expand production lines in order to increase the gross profit margin of our products. On the other hand, the Group is fully aware of future market trend and market demand and will therefore continue to invest in research and development to strengthen our product portfolio. Innovative products with higher profit margin will be developed to gain better return for the shareholders.

3. Strengthen brand building and TV advertisement for OTC drugs

The Group has established goodwill and a strong brand name for its intermediate and bulk medicine products and gained brand awareness for its finished products in major cities. In future, the Group will continue to strengthen the brand name of its medicines and finished products through unparalleled product quality and marketing strategies. We will deploy our resources for sales and marketing activities including product promotion and shop promotion in a strategic manner. Our sales team will deepen strategic cooperation with distributors to build brand awareness and gain excellent brand marketing effect for both medicines and finished products. In the second half of 2009, the Group will place TV advertisement across the country in different stages, which together with shop promotion, aiming at promoting OTC drugs, is expected to greatly enhance the sales of OTC drugs. To coordinate with the TV advertisement, the Group has significantly increased the points of sales nationwide so that our OTC drugs can be reached by all consumers in every market across the country.

4. **Continue penetration into the community and rural market by riding on favorable state policy**

   The aim to assist the public community and rural areas is obviously seen in the state medical reform, while improving the living standard of rural people economically is also a top priority in state policy. In view of this, the Group recruited a large number of front-line sales persons in the second half of last year who had finished training and are making satisfactory progress in city community and rural areas in terms of sales. The management expects those markets will be the next growing point of the Group and thus will invest more resources into those markets to increase our leading edge.

Looking forward, we believe the Group will have abundant opportunities with improved economic environment and the launch of favorable medical reform and agricultural supporting policy. With the support of our excellent management team and staff, highly efficient production equipment and process, strong sales network and shareholders, we will be able to seize every opportunity offered by state policy and comes along with market change and establish long term growth momentum for the Group. We are dedicated to become a first-rated pharmaceutical brand in China and even around the World and generate satisfactory return for our shareholders.

EMPLOYEES AND REMUNERATION

As at 30 June 2009, the Group had approximately 8,500 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 Directors may, at its discretion, grant options to employees of the Group. No option has been granted since the adoption of the share option scheme.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2009, the directors and chief executive of the Company had the following interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under 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 Companies ("Model Code"):

Long positions in the ordinary shares of the Company:

Name of director	Company/name of associated corporation	Number of Shares	*Notes*	Capacity	Percentage of interests
Mr. Choy Kam Lok	Company	865,000,000	*(1)*	Founder of a trust	72.08%
Mr. Choy Kam Lok	Gesell Holdings Limited	855,000,000	*(2)*	Founder of a trust	71.25%
Mr. Choy Kam Lok	Heren Far East Limited	855,000,000	*(3)*	Founder of a trust	71.25%
Ms. Peng Wei	Company	1,622,000		Personal interest	0.14%
Mr. Leung Wing Hon	Company	10,000		Personal interest	0.01%
Ms. Choy Siu Chit	Company	100,000		Personal interest	0.01%
Mr. Song Ming	Company	100,000		Personal interest	0.01%

Notes:

(1) Mr. Choy Kam Lok ("Mr. Choy") is the founder of The Choy Family Trust, which is a discretionary trust and whose discretionary objects include the non-executive director of the Company, Ms. Choy Siu Chit and certain other family members of Mr. Choy (but excluding Mr. Choy himself). For the purpose of Part XV of the SFO, Mr. Choy is deemed or taken to be interested in the entire issued share capital of Gesell Holdings Limited ("Gesell") and Heren Far East Limited ("Heren") which form part of the property of The Choy Family Trust. Mr. Choy is therefore deemed and taken to be interested in the 855,000,000 shares of the Company beneficially owned by Heren for the purpose of the SFO. In additions, Mr. Choy personally holds 10,000,000 shares of the Company.

(2) Mr. Choy is the founder of The Choy Family Trust and is deemed or taken to be interested in the entire issued share capital of Gesell which forms part of the property of The Choy Family Trust for the purpose of the SFO.

(3) Mr. Choy is the founder of The Choy Family Trust and is deemed or taken to be interested in the entire issued share capital of Heren which forms part of the property of The Choy Family Trust for the purpose of the SFO.

Save as disclosed above, none of the directors, chief executive and their associates had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO, as recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six moths ended 30 June 2009 were rights to acquire benefits by means of acquisition of shares in or debentures of the Company granted to any directors, chief executive, or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its holding company, or subsidiaries a party to any arrangement to enable the directors or chief executive to acquire such rights in any other corporate.

SHARE OPTION SCHEME

The Company operates a share option scheme for the purposes to enable the directors of the Company to grant options to certain full-time employees (including executive directors, non-executive directors and independent non-executive directors of the Company) of the Group in recognition of their contributions to the Group.

As at 30 June 2009, no share option has been offered and/or granted to any participants under the share option scheme.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2009, the following persons, other than the directors or chief executive of the Company were recorded in the register required to be kept by the Company under Section 336 of the SFO as being interested (including short positions) in the shares of underlying shares of the Company:

Long positions in the ordinary shares of the Company:

Name	*Notes*	Capacity	Number of shares held	Percentage of interest
Heren		Beneficiary owners	855,000,000	71.25%
Gesell	*(1)*	Interest in a controlled corporation	855,000,000	71.25%
DBS Trustee H.K. (Jersey) Limited	*(2)*	Trustee	855,000,000	71.25%

Notes:

(1) Gesell is interested in the entire issued share capital of Heren and is deemed or taken to be interested in the 855,000,000 shares of the Company beneficially owned by Heren for the purpose of Part XV of the SFO.

(2) DBS Trustee H.K. (Jersey) Limited ("DBS Trustee") is the trustee of The Choy Family Trust and is deemed to be interested in the 855,000,000 shares of the Company which The Choy Family Trust is interested through Heren and Gesell for the purpose of Part XV of the SFO.

Save as disclosed above, no other person other than the directors of the Company being recorded in the register required to be kept by the Company under Section 336 of the SFO as having an interest or a short position in the shares or underlying shares of the Company as at 30 June 2009.

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 2009.

CORPORATE GOVERNANCE

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

The Company has adopted and complied with the code provisions as set out in the Code on Corporate Governance Practices as stated in Appendix 14 to the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the six months ended 30 June 2009.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct for dealings in securities of the Company by its directors. Following a specific enquiry, all directors confirmed that they have complied with the required standards set out in the Model Code throughout the period covered by this interim report.

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive directors, namely Mr. Chong Peng Oon, Mr. Huang Bao Guang and Mr. Song Ming. The Audit Committee and the Company's external auditor have reviewed and discussed matters relating to internal control and financial statements, including review of the unaudited financial statements for the six months ended 30 June 2009.

BOARD OF DIRECTORS

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

On behalf of the Board
CHOY KAM LOK
Chairman

Hong Kong, 9 September 2009