



Lee's Pharmaceutical Holdings Limited  
李氏大藥廠控股有限公司\*  
(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 0221)

Interim Report 2008



\* For identification purposes only

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## BUSINESS REVIEW AND PROSPECTS

### Business Review

The Group not only maintained its growth momentum in sales, but also accelerated its growth in profitability in the second quarter. Sales for the second quarter of 2008 were record high at HK\$32.27 million, representing a 43% sequential increase over the first quarter and a 76% increase over the same period last year. For the first six month period of 2008, revenue of HK\$54.78 million was recorded, an increase of 73% over the same period last year. Profit after tax for the second quarter increased significantly to HK\$8.17 million, representing a sequential increase of 95% over the first quarter and an increase of 153% over the second quarter of 2007. Profit after tax for first half year of 2008 significantly increased by 202% to HK\$12.36 million compared with same period last year.

The significant increase in turnover in the second quarter was driven by across the board increase of the Group's four exiting products, namely *Yallaferon*®, *Livaracine*®, *Slounase*® and *Carnitene*®. Among them, both *Yallaferon*® and *Carnitene*® outpaced the others with 71% and 48% increase in sales respectively compared with that of first quarter.

Gross profit margin kept up with its upward improvement trend in second quarter, increasing to 71.6% from 70.7% of first quarter. For the first half year of 2008, gross margin increased to 71.2% from 68.7% of same period last year. The improvement was mainly the results of enhancing productivity and manufacturing efficiency for in-house developed products.

Selling and distribution expenses to turnover ratio continued its downward trend, reduced to 29% for the second quarter of 2008 from 31% for the first quarter. The reduction was also evidenced in the half year 2008 and a two point drop was achieved, compared to the first half year of 2007. The drop in ratio was mainly the results of benefiting from increase in economy of scale in sales.

The new drug application for the Group's in-house product *Eyprotor*® was approved by the China SFDA in May 2008. *Eyprotor*® is the fifth product developed in-house that have successfully obtained the marketing approval by China SFDA since 1997. Its approval further signifies the Group's ability to move technology from benchside to bedside. *Eyprotor*® is indicated for patients with corneal epithelium abrasion and it will be launched in the third quarter of 2008. Also in drug development, the Group submitted applications for marketing approval of both Challenger balloon and *Veroderm*® biofilm to the China SFDA in the second quarter. Approval for both products is expected by end of 2008 or early 2009.

## Prospects

We are upbeat about the growth prospect of the Group in the remaining of the year and beyond. Besides the continuing sales growth of four existing products, the newly launched product Iron Proteinsuccinylate Oral Solution has been performing well and the market penetration is right on schedule. At the end of second quarter, the new product has been made available in 18 major cities or provinces such as Beijing, Shanghai and Tianjin. It is expected that the sales will increase significantly in the second half of 2008 and provide additional boost to the Group's growth momentum.

During the third quarter of 2008, the Group will undertake major renovation in its Hefei manufacturing facility to increase the production capacity and automation. Once it is completed, it will triple the current production output and provide greater assurance in product quality. It will lay a solid foundation to support the Group's continual growth in the future.

## FINANCIAL REVIEW

### Liquidity and financial resources

As at 30 June 2008, the Group had cash and bank balances and pledged bank deposits of approximately HK\$21.7 million (31 December 2007: HK\$18.63 million). In terms of liquidity, the current ratio (current assets/current liabilities) was about 2.2 times (31 December 2007: 2.0 times).

As at 30 June 2008, the Group had bank borrowings of approximately HK\$6.52 million and shareholders' funds of approximately HK\$71.77 million. Its gearing ratio calculated based on the net borrowings (after deducting cash and bank balances) to shareholders' fund, was 0% (31 December 2007: 0%).

### Charges on Group Assets

Details of charges on group assets are included in note 16 to the condensed consolidated interim financial statements.

**Foreign Exchange Exposure**

Currently, the Group earns revenue and incurs costs mainly in Renminbi, Hong Kong dollars, European Union euro and US dollars. The Directors believe that the Group does not have foreign exchange problems in meeting its foreign exchange requirements. The Group may use forward contracts to hedge against foreign currency fluctuations.

**Employee Information**

As at 30 June 2008, the Group employed a total of 212 employees (31 December 2007: 196 employees) with a total staff cost for the six months ended 30 June 2008 of approximately HK\$10.07 million (including directors' remuneration).

The Group's emolument policies are formulated on the performance of individual employees and on the basis of the trends of salaries in various regions, which will be reviewed regularly every year. Apart from provident fund scheme and medical insurance, employees share options are also awarded to employees according to the assessment of individual performance.

**Contingent Liabilities**

As at 30 June 2008, the Group had no contingent liabilities.

## UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	For the three months ended 30 June		For the six months ended 30 June	
		<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Turnover	(2)	<b>32,270</b>	18,340	<b>54,783</b>	31,661
Cost of sales		<b>(9,162)</b>	(5,716)	<b>(15,757)</b>	(9,910)
Gross profit		<b>23,108</b>	12,624	<b>39,026</b>	21,751
Other revenue		<b>628</b>	319	<b>1,187</b>	435
Selling and distribution expenses		<b>(9,307)</b>	(5,718)	<b>(16,242)</b>	(10,164)
Research and development expenses		<b>(481)</b>	(370)	<b>(798)</b>	(707)
Administrative expenses		<b>(4,811)</b>	(3,155)	<b>(9,115)</b>	(6,465)
Profit from operations	(4)	<b>9,137</b>	3,700	<b>14,058</b>	4,850
Finance costs		<b>(159)</b>	(240)	<b>(267)</b>	(496)
Profit before taxation		<b>8,978</b>	3,460	<b>13,791</b>	4,354
Taxation	(5)	<b>(807)</b>	(228)	<b>(1,427)</b>	(261)
Profit attributable to shareholders		<b>8,171</b>	3,232	<b>12,364</b>	4,093
Dividends	(6)	<b>2,074</b>	–	<b>2,074</b>	–
Earnings per share		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Basic	(7)	<b>1.97</b>	0.93	<b>2.98</b>	1.18
Diluted	(7)	<b>1.94</b>	0.87	<b>2.94</b>	1.11

## CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	(Unaudited) 30 June 2008 HK\$'000	(Audited) 31 December 2007 HK\$'000
<b>Non-current Assets</b>			
Property, plant and equipment	(8)	16,952	15,253
Intangible assets	(9)	23,487	17,800
Lease premium for land		1,275	1,212
Goodwill		3,900	3,900
		<b>45,614</b>	38,165
<b>Current Assets</b>			
Lease premium for land		33	31
Inventories		11,121	8,521
Trade receivables	(10)	8,480	9,043
Other receivables, deposits and prepayments		9,176	12,212
Pledged bank deposits		2,012	2,012
Time deposits		8,970	10,360
Cash and bank balances		10,714	6,254
		<b>50,506</b>	48,433
<b>Current Liabilities</b>			
Trade payables	(11)	3,227	5,809
Other payables		11,998	13,084
Short term borrowings	(12)	6,368	4,228
Tax payable		1,221	1,131
		<b>22,814</b>	24,252
<b>Net Current Assets</b>		<b>27,692</b>	24,181
<b>Total Assets less Current Liabilities</b>		<b>73,306</b>	62,346
<b>Capital and Reserves</b>			
Share capital	(13)	20,744	20,656
Reserves		51,025	40,169
<b>Equity Attributable to Shareholders of the Company</b>		<b>71,769</b>	60,825
<b>Non-current Liabilities</b>			
Deferred tax liabilities		1,385	1,071
Long-term borrowings	(12)	152	450
		<b>1,537</b>	1,521
		<b>73,306</b>	62,346

## UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Net cash from operating activities	11,082	3,760
Net cash used in investing activities	(7,053)	(2,169)
Net cash used in financing activities	(1,234)	(2,598)
Increase (decrease) in cash and cash equivalents	2,795	(1,007)
Cash and cash equivalents at beginning of the period	18,626	6,008
Effect of foreign exchange rate changes	275	38
Cash and cash equivalents at end of the period	21,696	5,039
Analysis of the balance of cash and cash equivalents		
Cash and bank balances	10,714	4,295
Time deposit and pledged bank deposits	10,982	2,012
Bank overdraft	–	(1,268)
	21,696	5,039



## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Merger difference	Revaluation reserve	Share-based compensation reserve	Exchange reserve	Accumulated losses	Total
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
At 1 January 2008	20,656	44,154	9,200	3,463	851	1,679	(19,178)	60,825
Exercise of share options	88	329	-	-	(69)	-	-	348
Share option benefits	-	-	-	-	159	-	-	159
Exchange rate adjustment not recognized in consolidated income statement	-	-	-	227	-	1,165	-	1,392
Profit for the period	-	-	-	-	-	-	12,364	12,364
2007 final dividend paid	-	-	-	-	-	-	(3,319)	(3,319)
<b>At 30 June 2008</b>	<b>20,744</b>	<b>44,483</b>	<b>9,200</b>	<b>3,690</b>	<b>941</b>	<b>2,844</b>	<b>(10,133)</b>	<b>71,769</b>
At 1 January 2007	17,311	32,496	9,200	3,237	666	827	(30,548)	33,189
Share option benefits	-	-	-	-	113	-	-	113
Exchange rate adjustment not recognized in consolidated income statement	-	-	-	83	-	294	-	377
Profit for the period	-	-	-	-	-	-	4,093	4,093
<b>At 30 June 2007</b>	<b>17,311</b>	<b>32,496</b>	<b>9,200</b>	<b>3,320</b>	<b>779</b>	<b>1,121</b>	<b>(26,455)</b>	<b>37,772</b>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. Basis of preparation of financial statements and principal accounting policies

The unaudited interim condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the GEM Listing Rules. They have been prepared under the historical cost convention, as modified by the revaluation of leasehold buildings.

The accounting policies and method of computation used in preparing the unaudited consolidated interim financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2007 except as described below.

For the current interim period, the Group has applied, for the first time, the following new interpretations issued by the HKICPA which are effective for accounting period beginning on or after 1 March 2007 and 1 January 2008. The adoption of the new interpretations has no material effects on how the results and financial position for the current or prior accounting periods are prepared and presented.

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

The Group has not early applied the following new revised HKFRSs relevant to the interim condensed consolidated financial statements that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) – Int 13	Customer Loyalty Programmes <sup>2</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2008

The condensed consolidated interim financial statements have not been audited by the Company's auditors, but have been reviewed by the Company's auditors and the audit committee.

## 2. Turnover

The principal activities of the Group are development, manufacturing and sales of pharmaceutical products. During the period, turnover represents the net amount received and receivable for goods sold by the Group to outside customers.

### 3. Segment information

#### *Business segments*

The following table presents turnover and results of the Group's business segments for the six months ended 30 June 2008.

	Proprietary products		License-in products		Consolidated	
	2008 <i>HKS'000</i>	2007 <i>HKS'000</i>	2008 <i>HKS'000</i>	2007 <i>HKS'000</i>	2008 <i>HKS'000</i>	2007 <i>HKS'000</i>
Segment turnover	<b>32,431</b>	17,431	<b>22,352</b>	14,230	<b>54,783</b>	31,661
Segment results	<b>10,357</b>	4,261	<b>4,692</b>	1,247	<b>15,049</b>	5,508
Interest income					97	60
Unallocated expenses					(1,088)	(718)
Profit from operations					<b>14,058</b>	4,850
Finance costs					(267)	(496)
Profit before taxation					<b>13,791</b>	4,354
Taxation					(1,427)	(261)
Profit attributable to shareholders					<b>12,364</b>	4,093

#### *Geographical segments*

During the six months ended 30 June 2008 and 2007, more than 90% of the Group's turnover was derived from activities conducted in the PRC, no geographical segmental information is presented.

## 4. Profit from operations

	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Profit from operations has been arrived at after charging :				
Depreciation of property, plant and equipment	650	513	1,228	1,005
Amortisation of lease premium for land	8	7	16	15
Amortisation of intangible assets	138	125	266	251
<b>Total depreciation and amortisation</b>	<b>796</b>	<b>645</b>	<b>1,510</b>	<b>1,271</b>
Bad debts provision and written off	18	19	89	34

## 5. Taxation

	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Current tax				
The PRC	643	239	1,183	284
Deferred tax				
Provision (credit) of current period	164	(11)	244	(23)
<b>Taxation attributable to the Group</b>	<b>807</b>	<b>228</b>	<b>1,427</b>	<b>261</b>

Hong Kong Profits Tax has not been provided as the Group had no estimated assessable profit in Hong Kong for the period.

Tax arising in the PRC is calculated at the rates of tax prevailing in the PRC.

## 6. Dividends

	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Interim dividend declared of HK\$0.005 (2007: Nil) per ordinary share based on issued share capital as at balance sheet date	2,074	–	2,074	–

Interim dividend will be payable on 18 September 2008 to shareholders registered in the Company's Register of Members as at the close of business on 4 September 2008.

A 2007 final dividend of HK\$0.008 per share, totalling HK\$3,319,000 was paid in May 2008.

## 7. Earnings per share

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

	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
	2008	2007	2008	2007
Net profit attributable to shareholders for the purpose of basic and diluted earnings per share	<b>HK\$8,171,000</b>	HK\$3,232,000	<b>HK\$12,364,000</b>	HK\$4,093,000
<i>Number of shares:</i>				
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>414,820,055</b>	346,225,000	<b>414,514,835</b>	346,225,000
Effect of dilutive potential ordinary shares: options and warrants	<b>6,117,316</b>	26,159,400	<b>6,425,898</b>	23,094,541
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>420,937,371</b>	372,384,400	<b>420,940,733</b>	369,319,541

**8. Movements in property, plant and equipment**

During the period ended 30 June 2008, additions to property, plant and equipment amounted to HK\$1.98 million.

**9. Movement in intangible assets**

During the period ended 30 June 2008, additions to intangible assets amounted to HK\$5.175 million.

**10. Trade receivables**

The Group has a policy of allowing an average credit period of 30-180 days to its trade customers. The following is an aging analysis of trade receivables at the balance sheet dates.

	<b>(Unaudited)</b>	(Audited)
	<b>30 June</b>	31 December
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
0-90 days	<b>8,081</b>	8,729
91-180 days	<b>253</b>	283
181-365 days	<b>220</b>	63
Over 365 days and under 3 years	<b>129</b>	75
	<b>8,683</b>	9,150
Less: Allowance for bad and doubtful debts	<b>(203)</b>	(107)
	<b>8,480</b>	9,043

The carrying amounts of trade receivables approximate to their fair values.



**11. Trade payables**

The following is an aging analysis of trade payables at the balance sheet dates.

	<b>(Unaudited)</b>	(Audited)
	<b>30 June</b>	31 December
	<b>2008</b>	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-90 days	3,227	5,809
91-180 days	–	–
181-365 days	–	–
Over 365 days	–	–
	<b>3,227</b>	<b>5,809</b>

The carrying amounts of trade payables approximate to their fair values.

**12. Bank borrowings**

	<b>(Unaudited)</b>	(Audited)
	<b>30 June</b>	31 December
	<b>2008</b>	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Secured bank loans repayable:		
Within one year	6,368	4,228
More than one year but not exceeding two years	152	450
	<b>6,520</b>	<b>4,678</b>

The carrying amounts of bank borrowings are denominated in the following currencies:

	<b>(Unaudited)</b> <b>30 June</b> <b>2008</b> <i>HK\$'000</i>	(Audited) 31 December 2007 <i>HK\$'000</i>
Renminbi	3,420	1,605
Hong Kong dollars	3,100	3,073
	<b>6,520</b>	4,678

The effective interest rates of the Group range from 5.75% to 8.6%.

The carrying amounts of short-term bank borrowings approximate to their fair values.

### 13. Share capital

	<b>Number of</b> <b>ordinary shares</b> <b>of HK\$0.05 each</b>	<b>Amount</b> <i>HK\$'000</i>
<i>Authorised:</i>		
At 30 June 2008 and 31 December 2007	1,000,000,000	50,000

*Issued and fully paid:*

	Number of ordinary shares of HK\$0.05 each		Amount	
	Six months ended 30 June 2008 (Unaudited)	Year ended 31 December 2007 (Audited)	Six months ended 30 June 2008 (Unaudited) HK\$'000	Year ended 31 December 2007 (Audited) HK\$'000
At beginning of the period	413,125,000	346,225,000	20,656	17,311
Issue of new shares upon exercise of share options	1,750,000	1,050,000	88	53
Issue of new shares upon exercise of warrants	–	65,850,000	–	3,292
At end of the period	414,875,000	413,125,000	20,744	20,656

#### 14. Related party transactions

During the period, the Group entered into the following transactions with related parties. In the opinion of the Directors, the following transactions arose in the ordinary course of the Group's business:

##### (a) Related party transactions

Name of related parties	Notes	Nature of transactions	(Unaudited)	
			For the six months ended 30 June 2008 HK\$'000	2007 HK\$'000
Sigma-Tau Group	(1)	Purchase of pharmaceutical product	5,632	7,729

Notes:

- (1) Defiante Farmaceutica, Lda is a shareholder of the Company which is also a member of Sigma-Tau Group.

(b) Compensation of key management personnel of the Group

	<b>(Unaudited)</b>	
	<b>For the six months</b>	
	<b>ended 30 June</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Short-term employee benefits	<b>1,916</b>	1,600
Post-employment benefits	<b>18</b>	18
Share-based payments	<b>51</b>	54
	<b>1,985</b>	1,672

**15. Capital commitments**

	<b>(Unaudited)</b>	(Audited)
	<b>30 June</b>	31 December
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Capital commitments in respect of acquisition of property, plant and equipment	<b>1,796</b>	–

**16. Pledged of assets**

As at 30 June 2008, leasehold land and buildings and machinery with an aggregate net book value of approximately HK\$10.3 million (31 December 2007: machinery of HK\$0.3 million) were pledged to banks to secure general credit facilities granted to the Group.

In addition, time deposits of HK\$2.01 million were pledged as securities for banking facilities as at 30 June 2008 (31 December 2007: HK\$2.01 million).

## SHARE OPTION SCHEME

Pursuant to a written resolution passed by all shareholders of the Company on 26 June 2002, the Company, among others, conditionally adopted a pre-IPO share option scheme (the “Pre-IPO Share Option Scheme”) and a share option scheme (the “Share Option Scheme”), the principal terms of which are set out in the Prospectus.

Movements of the share option during the period ended 30 June 2008 were as follows:

Grantees	Date of Grant	Outstanding at 1.1.2008	Number of share options			Outstanding at 30.6.2008
			Granted	Exercised	Lapsed	
<b>Directors</b>						
Lee Siu Fong	26.06.2002	1,600,000	-	-	-	1,600,000
Leelalertsuphakun						
Wanee	13.01.2003	289,000	-	-	-	289,000
Li Xiaoyi	13.01.2003	2,890,000	-	-	-	2,890,000
Mauro Bove	11.07.2005	500,000	-	-	-	500,000
	02.06.2006	500,000	-	-	-	500,000
Lam Yat Cheong	11.07.2005	300,000	-	-	-	300,000
Tsim Wah Keung, Karl	11.07.2005	300,000	-	-	-	300,000
<i>Sub-total of Directors</i>		6,379,000	-	-	-	6,379,000
<b>Employees</b>						
	26.06.2002	50,000	-	(50,000)	-	-
	13.01.2003	400,000	-	(100,000)	-	300,000
	25.06.2004	5,650,000	-	(850,000)	-	4,800,000
	11.07.2005	3,400,000	-	(750,000)	-	2,650,000
	02.01.2008	-	1,355,000	-	-	1,355,000
<b>Consultant</b>						
	02.06.2006	500,000	-	-	-	500,000
	02.01.2008	-	2,000,000	-	-	2,000,000
<i>Sub-total of employees and consultant</i>		10,000,000	3,355,000	(1,750,000)	-	11,605,000
<b>Grand total</b>		16,379,000	3,355,000	(1,750,000)	-	17,984,000

## Notes:

## 1. Particulars of share options:

<b>Date of Grant</b>	<b>Exercise period</b>	<b>Exercise price per share HK\$</b>
26.06.2002	(i) 50% exercisable not less than 2 years from date of grant but not more than 10 years, i.e. 26.06.2004-25.06.2012	0.280
	(ii) unexercised balance thereof be exercisable not less than 3 years from date of grant but not more than 10 years, i.e. 26.06.2005-25.06.2012	
13.01.2003	13.07.2003-12.01.2013	0.405
25.06.2004	(i) 50% exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 25.12.2004-24.06.2014	0.218
	(ii) unexercised balance thereof be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 25.09.2005-24.06.2014	
11.07.2005	(i) 50% exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 11.01.2006-10.07.2015	0.159
	(ii) unexercised balance thereof be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 11.10.2006-10.07.2015	
02.06.2006	(i) 50% exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 02.12.2006- 01.06.2016	0.175
	(ii) unexercised balance thereof be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 02.09.2007-01.06.2016	
02.01.2008	(i) 50% exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 02.07.2008- 01.01.2018	0.492
	(ii) unexercised balance thereof be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 02.04.2009-01.01.2018	

Save as disclosed above, as at 30 June 2008, none of the Directors or chief executive or their respective spouse or children under 18 years of age were granted or exercise any rights to subscribe for any equity of the Company or any of its associated corporations.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 30 June 2008, the following Directors and chief executive and their associates had interest or short positions in the Shares or underlying Shares of the Company or any of its associated corporations as required to be disclosed under and within the meaning of Part XV of the Securities and Future Ordinance (the "SFO") were as follows:

### 1. Long positions

#### (a) Ordinary shares of HK\$0.05 each of the Company

Name	Capacity and nature	Notes	Number of shares	Total	% of issued share capital
Lee Siu Fong	Beneficial owner		2,004,375		
	Interest of corporation	(i)	<u>128,290,625</u>	130,295,000	31.41
Leelalertsuphakun Wanee	Beneficial owner		2,565,000		
	Interest of corporation	(i)	<u>128,290,625</u>	130,855,625	31.54
Li Xiaoyi	Beneficial owner		35,110,000		
	Interest of spouse	(ii)	<u>16,000,000</u>	51,110,000	12.32
Chan Yau Ching, Bob	Beneficial owner		500,000	500,000	0.12

#### Notes:

- (i) 128,290,625 Shares are held through Huby Technology Limited ("Huby Technology") and Dynamic Achieve Investments Limited ("Dynamic Achieve"). Each of Huby Technology and Dynamic Achieve is an investment holding company jointly owned by Ms. Lee Siu Fong and Ms. Leelalertsuphakun Wanee.
- (ii) These Shares are held by High Knowledge Investments Limited ("High Knowledge") which is wholly owned by Dr. Li's spouse, Ms. Lue Shuk Ping, Vicky ("Ms. Lue"). The interest held by Ms. Lue is deemed to be part of the interest of Dr. Li.

*(b) Share options*

<b>Name</b>	<b>Capacity and nature</b>	<b>Number of options held</b>	<b>Number of underlying Shares</b>
Lee Siu Fong	Beneficial owner	1,600,000	1,600,000
Leelalertsuphakun Wanee	Beneficial owner	289,000	289,000
Li Xiaoyi	Beneficial owner	2,890,000	2,890,000
Mauro Bove	Beneficial owner	1,000,000	1,000,000
Lam Yat Cheong	Beneficial owner	300,000	300,000
Tsim Wah Keung, Karl	Beneficial owner	300,000	300,000
		6,379,000	6,379,000

*(c) Aggregate long positions in the Shares and the underlying Shares*

<b>Name</b>	<b>Number of Shares</b>	<b>Number of underlying Shares</b>	<b>Aggregate in number</b>
Lee Siu Fong	130,295,000	1,600,000	131,895,000
Leelalertsuphakun Wanee	130,855,625	289,000	131,144,625
Li Xiaoyi	51,110,000	2,890,000	54,000,000
Chan Yau Ching, Bob	500,000	–	500,000
Mauro Bove	–	1,000,000	1,000,000
Lam Yat Cheong	–	300,000	300,000
Tsim Wah Keung, Karl	–	300,000	300,000

**2. Short positions**

No short positions of Directors and chief executive in the Shares or underlying Shares of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.



## DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the paragraph headed "Directors' and Chief Executive's Interests" above, at no time during the period ended 30 June 2008 were rights to acquire benefits by means of the acquisition of Shares in the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or any of its holding companies and subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

At 30 June 2008, the following persons/companies, other than a Director or chief executive of the Company, who had interests or short positions in the Shares or underlying Shares of the Company which are required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered into the register maintained by the Company pursuant to Section 336 of the SFO:

### 1. Long positions

#### (a) Ordinary shares of HK\$0.05 each of the Company

Name	Capacity and nature	Notes	Number of Shares	% of issued share capital
Huby Technology Limited	Beneficial owner		120,290,625	28.99
Defiante Farmaceutica, Lda	Beneficial owner		123,850,000	29.85
High Knowledge Investments Limited	Beneficial owner	(i)	16,000,000	3.86
Lue Shuk Ping, Vicky	Interest in corporation	(i)	16,000,000	3.86
	Interest of spouse	(ii)	35,110,000	8.46

#### (b) Underlying shares

Name	Capacity and nature	Notes	Nature of underlying shares	Number of underlying Shares
Lue Shuk Ping, Vicky	Interest of spouse	(ii)	Share Options	2,890,000

*(c) Aggregate long positions in the Shares and the underlying Shares*

<b>Name</b>	<b>Number of Shares</b>	<b>Number of underlying Shares</b>	<b>Aggregate in number</b>
Huby Technology Limited	120,290,625	–	120,290,625
Defiante Farmaceutica, Lda	123,850,000	–	123,850,000
High Knowledge Investments Limited	16,000,000	–	16,000,000
Lue Shuk Ping, Vicky	51,110,000	2,890,000	54,000,000

*Notes:*

- (i) These Shares are legally owned by High Knowledge Investments Limited, which is entirely and beneficially owned by Dr. Li Xiaoyi's spouse, Ms. Lue.
- (ii) The Shares and share option are owned by Ms. Lue Shuk Ping, Vicky's spouse, Dr. Li Xiaoyi.

**2. Short positions**

No short positions of other persons and substantial shareholders in the Shares or underlying Shares of the Company and its associated corporations were recorded in the register.

Save as disclosed above, as at 30 June 2008, so far as is known to the Directors, no person was recorded in the register required by the SFO to be kept as having an interest of 5% or more of the issued share capital of the Company or short positions in the Shares or underlying Shares of the Company.

**SECURITIES TRANSACTIONS BY DIRECTORS**

During the six months ended 30 June 2008, the Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry of all Directors and the Company was not aware of any non-compliance with such code of conduct and required standard of dealings throughout the six months period ended 30 June 2008.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members will be closed from Monday, 1 September 2008 to Thursday, 4 September 2008 (both days inclusive). In order to establish entitlements to the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 29 August 2008.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company listed securities during the six months ended 30 June 2008.

## **COMPETING INTERESTS**

None of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with the Group during the six months ended 30 June 2008.

## **AUDIT COMMITTEE**

An audit committee was set up with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

The audit committee comprises three members, Dr. Chan Yau Ching, Bob, Mr. Lam Yat Cheong and Dr. Tsim Wah Keung, Karl, who are the independent non-executive directors of the Company.

The audit committee has reviewed with the management and auditors this unaudited interim report for the six months ended 30 June 2008 before recommending it to the Board for approval.

## CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of Listing Rules throughout the six months ended 30 June 2008, with deviations from provision B.1 of the Code.

Under provision B.1 of the Code, a remuneration committee should be established to make recommendations to the Board on the policy and structure for all remuneration of directors and senior management. The Board considers that the Company needs not set up a remuneration committee as remuneration of directors and senior management are determined by the Board in accordance with the Articles of Association of the Company.

As at the date of this report, the Board comprises the following directors:

*Executive directors:*

Ms. Lee Siu Fong (*Chairman*)  
Ms. Leelalertsuphakun Wanee  
Dr. Li Xiaoyi

*Non-executive director:*

Mr. Mauro Bove

*Independent non-executive directors:*

Dr. Chan Yau Ching, Bob  
Mr. Lam Yat Cheong  
Dr. Tsim Wah Keung, Karl

By order of the Board  
**Lee Siu Fong**  
*Chairman*

Hong Kong, 12 August 2008