



李氏大藥廠

## 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: 8221)

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2009

#### CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This announcement, for which the directors (the “Directors”) of LEE’S PHARMACEUTICAL HOLDINGS LIMITED (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

\* For identification purposes only

## **BUSINESS REVIEW AND PROSPECTS**

### **Business Review**

After registering significant growth in both revenue and profit in the first quarter, the Group kept on going strong in its business expansion, achieving record high in both turnover and net profit in the second quarter of 2009. The respective turnover of HK\$43,578,000 and net profit of HK\$12,284,000 represent sequential increment of 31.9% and 57.4% respectively over the first quarter of 2009. Turnover for the first six months of 2009 increased 39.8% to HK\$76,613,000 over same period last year. Profit after tax for the first half of 2009 recorded yet another leap of 62.5% to HK\$20,086,000 compared with same period last year.

The significant increase in turnover in the second quarter was propelled by across the board increase in sales of the Group's existing products, namely *Yallaferon*<sup>®</sup>, *Livaracine*<sup>®</sup>, *Slounase*<sup>®</sup>, *Carnitene*<sup>®</sup> and Iron Protein Oral Solution. The second year product Iron Protein Oral Solution maintained the growth momentum with sales growth of 152% for the first half of 2009 compared with same period last year. Meanwhile, *Slounase*<sup>®</sup> continued its strong headway in market penetration, keeping up with the pace of the first quarter with an increase of 76% for the first six months of 2009 over same period last year.

The momentous growth in net profit after tax in the first six months was driven not only by significant increase in turnover, but also by improvement in gross profit margin, up from 71.2% of the first six month in 2008 to 72.4% in the period under review. The strong performance of proprietary products and improvement in production efficiency contributed to the improvement in gross profit margin.

Despite the Group's steadfast investment in new product launch, selling and distribution expenses to turnover ratio continued to move downward. For the first six months of 2009, the ratio was 28.8%, compared with 29.6% for the same period last year, a reflection of achieving better economy of scale by the Group's sales and marketing team.

Although administrative expenses for the first half of 2009 increased by HK\$589,000 compared with same period last year as a result of increase in staff cost and other operating expenses to cope with increase in transaction volume, the administrative expense to turnover ratio improved from 16.6% for the first six month of 2008, to 12.7% for the same period this year.

The first half of 2009 also marked the establishment of the Group's second research and development centre in Hong Kong Science Park, asserting the Group's commitment to being a research driven specialty pharmaceutical company. The laboratory is fully outfitted with state of art peptide synthesis equipment and is devoted to peptide drug development. To this end, the Group has received the generous support of Hong Kong government for developing its first peptide drug in this centre for the alleviation of hair loss induced by chemotherapy. The funding support demonstrates HKSAR government's commitment to innovation and will facilitate the development of new drug by the Group.

The Group had made striking progress in the area of clinical study and drug registration during the period under review. Two clinical studies, namely Bemiparin for prevention of DVT in patient undergone hip or knee replacement and *Veloderm*<sup>®</sup> for skin graft had been completed and are now under statistical analysis. Other two studies, namely acetyl-L-carnitine for treatment of chemo-induced peripheral neuropathy and propionyl-L-carnitine for treatment of peripheral arterial disease, has reached important milestone by completing 50% of targeted enrollment. Additional four other studies are under different stages of preparation and are expected to initiate in the second half of 2009. In the first six month of 2009, the Group also submitted two products to China SFDA for registration. Several products are expected to be ready for submission in the second half of 2009.

In the corporate development front, the Group continues to strive ahead with its strategy of “growth through partnership”. During the period under review, the Group successfully entered into a new partnership with Nippon Shinyaku, a reputable mid size research based pharmaceutical company in Japan. In addition, the Group expanded its cooperation with prestigious Swiss company Hesinn, securing a second product for exclusive sales and marketing in China. Several discussions of partnership are currently underway and some are expected to come to fruition in the second half of 2009.

### **Prospects**

The board is confident that the Group’s performance will continue to thrive in this challenging economy time.

The existing five products are expected to continue their strong performance in the market place as the Group intensifies its effort in product brand management and product life cycle management. *Livaracine*<sup>®</sup>, one of the Group’s flagship products with 11 years of clinical experiences has recently been recognized by the government for its distinct quality which will undoubtedly boost the product’s acceptance by the medical community and provide growth momentum for the product.

The Group has started marketing its new product *Eyprotor*<sup>®</sup> and response from market is encouraging. Three other products of the Group are now under final review by China SFDA for marketing authorization. The anticipated launch of new product will further broaden the revenue base of the Group and could become new profit driver of the Group in the future.

Last, but not least, the Group is presently contemplating the switch of listing of its shares to the Main Board of Hong Kong Stock Exchange from current GEM Board once the Group fulfills the financial requirements under listing rules after the end of financial year 2009. The Group believes that ensuing switch will enhance the profile of the Group in the investor community and provide better return for shareholders.

The Group is looking forward to delivering exciting results to its shareholders in the second half of 2009 and years beyond.

## UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

|                                     | <i>Notes</i> | For the three months<br>ended 30 June |                 | For the six months<br>ended 30 June |                 |
|-------------------------------------|--------------|---------------------------------------|-----------------|-------------------------------------|-----------------|
|                                     |              | 2009                                  | 2008            | 2009                                | 2008            |
|                                     |              | <i>HK\$'000</i>                       | <i>HK\$'000</i> | <i>HK\$'000</i>                     | <i>HK\$'000</i> |
| Turnover                            | (2)          | <b>43,578</b>                         | 32,270          | <b>76,613</b>                       | 54,783          |
| Cost of sales                       |              | <b>(11,735)</b>                       | (9,162)         | <b>(21,168)</b>                     | (15,757)        |
| Gross profit                        |              | <b>31,843</b>                         | 23,108          | <b>55,445</b>                       | 39,026          |
| Other revenue                       |              | <b>(9)</b>                            | 628             | <b>379</b>                          | 1,187           |
| Selling and distribution expenses   |              | <b>(12,059)</b>                       | (9,307)         | <b>(22,087)</b>                     | (16,242)        |
| Research and development expenses   |              | <b>(1,048)</b>                        | (481)           | <b>(1,649)</b>                      | (798)           |
| Administrative expenses             |              | <b>(4,969)</b>                        | (4,811)         | <b>(9,704)</b>                      | (9,115)         |
| Profit from operations              | (4)          | <b>13,758</b>                         | 9,137           | <b>22,384</b>                       | 14,058          |
| Finance costs                       |              | <b>(173)</b>                          | (159)           | <b>(225)</b>                        | (267)           |
| Profit before taxation              |              | <b>13,585</b>                         | 8,978           | <b>22,159</b>                       | 13,791          |
| Taxation                            | (5)          | <b>(1,301)</b>                        | (807)           | <b>(2,073)</b>                      | (1,427)         |
| Profit attributable to shareholders |              | <b><u>12,284</u></b>                  | 8,171           | <b><u>20,086</u></b>                | 12,364          |
| Dividends                           | (6)          | <b><u>3,325</u></b>                   | 2,074           | <b><u>3,325</u></b>                 | 2,074           |
| Earnings per share                  |              | <i>HK cents</i>                       | <i>HK cents</i> | <i>HK cents</i>                     | <i>HK cents</i> |
| Basic                               | (7)          | <b><u>2.96</u></b>                    | 1.97            | <b><u>4.84</u></b>                  | 2.98            |
| Diluted                             | (7)          | <b><u>2.91</u></b>                    | 1.94            | <b><u>4.76</u></b>                  | 2.94            |

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME**

|  | <b>For the six months<br/>ended 30 June</b> |                 |
|--|---|-----------------|
|  | <b>2009</b>                                 | 2008            |
|  | <i>HK\$'000</i>                             | <i>HK\$'000</i> |
| Profit attributable to shareholders                                    | <u><b>20,086</b></u>                        | <u>12,364</u>   |
| Other comprehensive income:  |   |                 |
| Exchange differences on translation of:                                |   |                 |
| – financial statements of overseas subsidiary                          | <b>347</b>                                  | 1,165           |
| – revaluation of overseas buildings                                    | <b>33</b>                                   | 227             |
| Other comprehensive income attributable to<br>shareholders, net of tax | <u><b>380</b></u>                           | <u>1,392</u>    |
| Total comprehensive income attributable to shareholders                | <u><b>20,466</b></u>                        | <u>13,756</u>   |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|   |              | (Unaudited)<br>30 June<br>2009<br><i>HK\$'000</i> | (Audited)<br>31 December<br>2008<br><i>HK\$'000</i> |
|---|--------------|---|---|
|   | <i>Notes</i> |   |   |
| <b>Non-current Assets</b>                                 |              |   |   |
| Property, plant and equipment                             | (8)          | 24,767  | 19,582  |
| Intangible assets   | (9)          | 32,633  | 26,506  |
| Lease premium for land                                    |              | 1,242   | 1,248   |
| Goodwill  |              | 3,900   | 3,900   |
|   |              | 62,542  | 51,236  |
| <b>Current Assets</b>                                     |              |   |   |
| Lease premium for land                                    |              | 33  | 33  |
| Inventories   |              | 27,194  | 6,867   |
| Trade receivables   | (10)         | 16,400  | 17,914  |
| Other receivables, deposits and prepayments               |              | 9,560   | 7,666   |
| Pledged bank deposits                                     |              | 2,012   | 2,012   |
| Time deposits   |              | –   | 4,662   |
| Cash and bank balances                                    |              | 27,430  | 17,520  |
|   |              | 82,629  | 56,674  |
| <b>Current Liabilities</b>                                |              |   |   |
| Trade payables  | (11)         | 10,613  | 1,598   |
| Other payables  |              | 17,392  | 14,657  |
| Tax payable   |              | 1,842   | 676   |
| Short term borrowings                                     | (12)         | 9,173   | 3,837   |
| Obligation under finance lease                            |              | 124   | –   |
|   |              | 39,144  | 20,768  |
| <b>Net Current Assets</b>                                 |              | 43,485  | 35,906  |
| <b>Total Assets less Current Liabilities</b>              |              | 106,027   | 87,142  |
| <b>Capital and Reserves</b>                               |              |   |   |
| Share capital   | (13)         | 20,779  | 20,764  |
| Reserves  |              | 80,674  | 64,571  |
| <b>Equity Attributable to Shareholders of the Company</b> |              | 101,453   | 85,335  |
| <b>Non-current Liabilities</b>                            |              |   |   |
| Deferred tax liabilities                                  |              | 2,111   | 1,807   |
| Long-term borrowings                                      | (12)         | 1,897   | –   |
| Obligation under finance lease                            |              | 566   | –   |
|   |              | 4,574   | 1,807   |
|   |              | 106,027   | 87,142  |

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|   | Share<br>capital     | Share<br>premium     | Merger<br>difference | Share-based<br>compensation<br>reserve | Other<br>comprehensive income<br>Revaluation<br>reserve | Exchange<br>reserve | Retained<br>profits<br>(Accumulated<br>losses) | Total                 |
|---|----------------------|----------------------|----------------------|--|---|---------------------|--|-----------------------|
|   | <i>HK\$'000</i>      | <i>HK\$'000</i>      | <i>HK\$'000</i>      | <i>HK\$'000</i>                        | <i>HK\$'000</i>   | <i>HK\$'000</i>     | <i>HK\$'000</i>                                | <i>HK\$'000</i>       |
| At 1 January 2009   | 20,764               | 44,533               | 9,200                | 1,088                                  | 3,657   | 2,604               | 3,489  | 85,335                |
| Share option benefits   | -                    | -                    | -                    | 158                                    | -   | -                   | -  | 158                   |
| Exercise of share options                                     | 15                   | 66                   | -                    | (19)                                   | -   | -                   | -  | 62                    |
| Total comprehensive<br>income attributable<br>to shareholders | -                    | -                    | -                    | -                                      | 33  | 347                 | 20,086   | 20,466                |
| 2008 final dividend paid                                      | -                    | -                    | -                    | -                                      | -   | -                   | (4,568)  | (4,568)               |
| <b>At 30 June 2009</b>  | <b><u>20,779</u></b> | <b><u>44,599</u></b> | <b><u>9,200</u></b>  | <b><u>1,227</u></b>                    | <b><u>3,690</u></b>                                     | <b><u>2,951</u></b> | <b><u>19,007</u></b>                           | <b><u>101,453</u></b> |
| At 1 January 2008   | 20,656               | 44,154               | 9,200                | 851                                    | 3,463   | 1,679               | (19,178)                                       | 60,825                |
| Share option benefits   | -                    | -                    | -                    | 159                                    | -   | -                   | -  | 159                   |
| Exercise of share options                                     | 88                   | 329                  | -                    | (69)                                   | -   | -                   | -  | 348                   |
| Total comprehensive<br>income attributable<br>to shareholders | -                    | -                    | -                    | -                                      | 227   | 1,165               | 12,364   | 13,756                |
| 2007 final dividend paid                                      | -                    | -                    | -                    | -                                      | -   | -                   | (3,319)  | (3,319)               |
| <b>At 30 June 2008</b>  | <b><u>20,744</u></b> | <b><u>44,483</u></b> | <b><u>9,200</u></b>  | <b><u>941</u></b>                      | <b><u>3,690</u></b>                                     | <b><u>2,844</u></b> | <b><u>(10,133)</u></b>                         | <b><u>71,769</u></b>  |

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standards (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants 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 2008 except as described below.

In the current year, the Company has applied the following new standards, amendments and interpretations (the “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which are or have become effective.

|                                     |  |
|-------------------------------------|--|
| HKFRS 1 and HKAS 27<br>(Amendments) | Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate |
| HKFRS 2 (Amendments)                | Vesting Conditions and Cancellations   |
| HKFRS 8                             | Operating Segments   |
| HKAS 1 (Revised)                    | Presentation of Financial Statements   |
| HKAS 23 (Revised)                   | Borrowing Costs  |
| HKAS 32 & 1 (Amendments)            | Puttable Financial Instruments and Obligations Arising on Liquidation  |
| 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  |

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

|                      |   |
|----------------------|---|
| HKFRS 3 (Revised)    | Business Combinations <sup>1</sup>                          |
| HKAS 39 (Amendments) | Eligible Hedged Items <sup>1</sup>                          |
| HKAS 27 (Revised)    | Consolidated and Separate Financial Statements <sup>1</sup> |
| HK(IFRIC)-Int 17     | Distributions of Non-cash Assets to Owners <sup>1</sup>     |
| HK(IFRIC)-Int 18     | Transfers of Assets from Customers <sup>1</sup>             |



Apart from the above, the HKICPA has also issued Improvements to HKFRSs\* which sets out amendments to a number of HKFRSs. Except for the amendments to HKFRS 5, and HK(IFRIC)-Int 9, which are effective for annual periods beginning on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

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

\* Improvements to HKFRSs contain amendments to HKFRS 1, HKFRS 4, HKFRS 5, HKFRS 6, HKFRS 7, HKFRS 8, HKAS 2, HKAS 7, HKAS 8, HKAS 10, HKAS 12, HKAS 14, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 21, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 33, HKAS 34, HKAS 36, HKAS 37, HKAS 38, HKAS 39, HKAS 40 and HKAS 41, HK(IFRIC)-Int 2.

The directors of the Company anticipate that the application of these new standard, amendment or interpretations will have no material impact on the results and the financial position of the Company.

## 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 2009.

|                                     | Proprietary products |                 | License-in products |                 | Consolidated    |                 |
|-------------------------------------|----------------------|-----------------|---------------------|-----------------|-----------------|-----------------|
|                                     | 2009                 | 2008            | 2009                | 2008            | 2009            | 2008            |
|                                     | <i>HK\$'000</i>      | <i>HK\$'000</i> | <i>HK\$'000</i>     | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Segment turnover                    | <b>46,146</b>        | 32,431          | <b>30,467</b>       | 22,352          | <b>76,613</b>   | 54,783          |
| Segment results                     | <b>15,991</b>        | 10,357          | <b>8,731</b>        | 4,692           | <b>24,722</b>   | 15,049          |
| Interest income                     |                      |                 |                     |                 | <b>28</b>       | 97              |
| Unallocated expenses                |                      |                 |                     |                 | <b>(2,366)</b>  | (1,088)         |
| Profit from operations              |                      |                 |                     |                 | <b>22,384</b>   | 14,058          |
| Finance costs                       |                      |                 |                     |                 | <b>(225)</b>    | (267)           |
| Profit before taxation              |                      |                 |                     |                 | <b>22,159</b>   | 13,791          |
| Taxation                            |                      |                 |                     |                 | <b>(2,073)</b>  | (1,427)         |
| Profit attributable to shareholders |                      |                 |                     |                 | <b>20,086</b>   | 12,364          |

### Geographical segments

During the six months ended 30 June 2009 and 2008, 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)          |            | (Unaudited)        |              |
|--|----------------------|------------|--------------------|--------------|
|  | For the three months |            | For the six months |              |
|  | ended 30 June        |            | ended 30 June      |              |
|  | 2009                 | 2008       | 2009               | 2008         |
|  | HK\$'000             | HK\$'000   | HK\$'000           | HK\$'000     |
| Profit from operations has been arrived at after charging: |                      |            |                    |              |
| Depreciation of property, plant and equipment              | 1,072                | 650        | 1,957              | 1,228        |
| Amortisation of lease premium for land                     | 9                    | 8          | 17                 | 16           |
| Amortisation of intangible assets                          | 293                  | 138        | 503                | 266          |
| Total depreciation and amortisation                        | <u>1,374</u>         | <u>796</u> | <u>2,477</u>       | <u>1,510</u> |
| (Written back) allowance for bad and doubtful debts        | <u>(25)</u>          | <u>18</u>  | <u>(41)</u>        | <u>89</u>    |

#### 5. TAXATION

|                                    | (Unaudited)          |            | (Unaudited)        |              |
|------------------------------------|----------------------|------------|--------------------|--------------|
|                                    | For the three months |            | For the six months |              |
|                                    | ended 30 June        |            | ended 30 June      |              |
|                                    | 2009                 | 2008       | 2009               | 2008         |
|                                    | HK\$'000             | HK\$'000   | HK\$'000           | HK\$'000     |
| Current tax                        |                      |            |                    |              |
| The PRC                            | 1,140                | 643        | 1,785              | 1,183        |
| Deferred tax                       |                      |            |                    |              |
| Provision of current period        | 161                  | 164        | 288                | 244          |
| Taxation attributable to the Group | <u>1,301</u>         | <u>807</u> | <u>2,073</u>       | <u>1,427</u> |

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

|  | <b>(Unaudited)</b>          |          | <b>(Unaudited)</b>        |          |
|--|-----------------------------|----------|---------------------------|----------|
|  | <b>For the three months</b> |          | <b>For the six months</b> |          |
|  | <b>ended 30 June</b>        |          | <b>ended 30 June</b>      |          |
|  | <b>2009</b>                 | 2008     | <b>2009</b>               | 2008     |
|  | <b>HK\$'000</b>             | HK\$'000 | <b>HK\$'000</b>           | HK\$'000 |
| Interim dividend declared of<br>HK\$0.008 (2008: HK\$0.005) per<br>ordinary share based on issued<br>share capital as at balance<br>sheet date | <b>3,325</b>                | 2,074    | <b>3,325</b>              | 2,074    |

Interim dividend will be payable on 24 September 2009 to shareholders registered in the Company's Register of Members as at the close of business on 10 September 2009. This dividend was declared after the interim reporting date, and therefore has not been included as a liability in the condensed consolidated statement of financial position.

2008 final dividend of HK\$0.011 per share, totalling HK\$4,568,025 was paid in May 2009.

## 7. EARNINGS PER SHARE

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

|   | <b>(Unaudited)</b>                |               | <b>(Unaudited)</b>              |                |
|---|-----------------------------------|---------------|---------------------------------|----------------|
|   | <b>For the three months ended</b> |               | <b>For the six months ended</b> |                |
|   | <b>30 June</b>                    |               | <b>30 June</b>                  |                |
|   | <b>2009</b>                       | 2008          | <b>2009</b>                     | 2008           |
| Net profit attributable to shareholders for<br>the purpose of basic and diluted earnings<br>per share | <b>HK\$12,284,000</b>             | HK\$8,171,000 | <b>HK\$20,086,000</b>           | HK\$12,364,000 |
| <i>Number of shares:</i>  |                                   |               |                                 |                |
| Weighted average number of ordinary shares for<br>the purpose of basic earnings per share             | <b>415,351,244</b>                | 414,820,055   | <b>415,313,122</b>              | 414,514,835    |
| Effect of dilutive potential ordinary shares: options   | <b>7,064,861</b>                  | 6,117,316     | <b>6,537,986</b>                | 6,425,898      |
| Weighted average number of ordinary shares for<br>the purpose of diluted earnings per share           | <b>422,416,105</b>                | 420,937,371   | <b>421,851,108</b>              | 420,940,733    |

## 8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period ended 30 June 2009, additions to property, plant and equipment amounted to HK\$6.97 million.

## 9. MOVEMENTS IN INTANGIBLE ASSETS

During the period ended 30 June 2009, additions to intangible assets amounted to HK\$3.93 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.

|  | (Unaudited)<br>30 June<br>2009<br><i>HK\$'000</i> | (Audited)<br>31 December<br>2008<br><i>HK\$'000</i> |
|--|---|---|
| 0-90 days                                  | 15,886  | 16,869  |
| 91-180 days                                | 399   | 912   |
| 181-365 days                               | 229   | 265   |
| Over 365 days and under 3 years            | 141   | 162   |
|  | <hr/>   | <hr/>   |
|  | 16,655  | 18,208  |
| Less: Allowance for bad and doubtful debts | (255)   | (294)   |
|  | <hr/>   | <hr/>   |
|  | <b>16,400</b>                                     | <b>17,914</b>                                       |
|  | <hr/> <hr/>                                       | <hr/> <hr/>   |

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.

|           | (Unaudited)<br>30 June<br>2009<br><i>HK\$'000</i> | (Audited)<br>31 December<br>2008<br><i>HK\$'000</i> |
|-----------|---|---|
| 0-90 days | <b>10,613</b>                                     | 1,598   |
|           | <hr/> <hr/>                                       | <hr/> <hr/>   |

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

## 12. BORROWINGS

|  | (Unaudited)<br>30 June<br>2009<br><i>HK\$'000</i> | (Audited)<br>31 December<br>2008<br><i>HK\$'000</i> |
|--|---|---|
| Secured  |   |   |
| Trust receipt loan                               | 661   | –   |
| Bank loans                                       | 10,409  | 3,837   |
|  | <u>11,070</u>                                     | <u>3,837</u>  |
| Carrying amount of the borrowings are repayable: |   |   |
| Within one year                                  | 9,173   | 3,837   |
| More than one year but not exceeding two years   | 1,009   | –   |
| More than two years but not more than five years | 888   | –   |
|  | <u>11,070</u>                                     | <u>3,837</u>  |

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

|                       | (Unaudited)<br>30 June<br>2009<br><i>HK\$'000</i> | (Audited)<br>31 December<br>2008<br><i>HK\$'000</i> |
|-----------------------|---|---|
| Renminbi              | 7,410   | 3,390   |
| Hong Kong dollars     | 2,999   | 447   |
| United States dollars | 661   | –   |
|                       | <u>11,070</u>                                     | <u>3,837</u>  |

The effective interest rates of the Group range from 3.75% to 6%.

The borrowings are secured by the Group's leasehold land and buildings and time deposits.

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

### 13. SHARE CAPITAL

|                                      | Number of<br>ordinary shares<br>of HK\$0.05 each | Amount<br>HK\$'000 |
|--------------------------------------|--|--------------------|
| <i>Authorised:</i>                   |  |                    |
| At 30 June 2009 and 31 December 2008 | 1,000,000,000                                    | 50,000             |

#### Issued and fully paid:

|   | Number of ordinary shares<br>of HK\$0.05 each      |  | Amount   |  |
|---|--|--|--|--|
|   | Six months<br>ended 30 June<br>2009<br>(Unaudited) | Year ended<br>31 December<br>2008<br>(Audited) | Six months<br>ended 30 June<br>2009<br>(Unaudited)<br>HK\$'000 | Year ended<br>31 December<br>2008<br>(Audited)<br>HK\$'000 |
| At beginning of the period                            | 415,275,000  | 413,125,000                                    | 20,764   | 20,656   |
| Issue of new shares upon<br>exercise of share options | 300,000  | 2,150,000                                      | 15   | 108  |
| At end of the period                                  | <u>415,575,000</u>                                 | <u>415,275,000</u>                             | <u>20,779</u>  | <u>20,764</u>  |

### 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<br>related parties | Notes | Nature of<br>transactions                | (Unaudited)<br>For the six months<br>ended 30 June |                  |
|----------------------------|-------|--|--|------------------|
|                            |       |  | 2009<br>HK\$'000                                   | 2008<br>HK\$'000 |
| Sigma-Tau Group            | (1)   | Purchase of<br>pharmaceutical<br>product | 21,834   | 5,632            |

*Notes:*

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

(b) Compensation of directors of the Group

|                              | <b>(Unaudited)</b>        |                 |
|------------------------------|---------------------------|-----------------|
|                              | <b>For the six months</b> |                 |
|                              | <b>ended 30 June</b>      |                 |
|                              | <b>2009</b>               | 2008            |
|                              | <b>HK\$'000</b>           | <b>HK\$'000</b> |
| Short-term employee benefits | <b>2,158</b>              | 1,916           |
| Post employment benefits     | <b>18</b>                 | 18              |
| Share-based payments         | <b>49</b>                 | 51              |
|                              | <b>2,225</b>              | 1,985           |

15. CAPITAL COMMITMENTS

|  | <b>(Unaudited)</b> | (Audited)       |
|--|--------------------|-----------------|
|  | <b>30 June</b>     | 31 December     |
|  | <b>2009</b>        | 2008            |
|  | <b>HK\$'000</b>    | <b>HK\$'000</b> |
| Capital commitments in respect of acquisition of property, plant and equipment | <b>1,121</b>       | 2,720           |

16. PLEDGED OF ASSETS

As at 30 June 2009, the Group has pledged leasehold land and buildings with an aggregate amount of HK\$9.54 million (31 December 2008: HK\$9,889,884) to secure general banking facilities granted to the Group. Motor vehicle with carrying value of HK\$786,000 (31 December 2008: Nil) was held under finance lease.

In addition, time deposits of HK\$2.01 million were pledged as securities for banking facilities as at 30 June 2009 (31 December 2008: HK\$2.01 million).

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members will be closed from Monday, 7 September 2009 to Thursday, 10 September 2009 (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 1712-1726, 17th Floor Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 4 September 2009.

## **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 2009.

## **REVIEW OF INTERIM FINANCIAL STATEMENTS**

The interim results for the six months ended 30 June 2009 are unaudited, but have been reviewed by auditors 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.

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 2009 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 2009, 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 announcement, 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, 14 August 2009