武夷药业
Wuyi Pharmaceutical

WUYI INTERNATIONAL PHARMACEUTICAL COMPANY LIMITED
武 夷 國 際 藥 業 有 限 公 司

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

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2007

The board (the "Board") of directors (the "Directors") of Wuyi International Pharmaceutical Company Limited ("Wuyi Pharmaceutical" or the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2007, together with the comparative figures for the corresponding period in 2006. The results have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2007

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

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2007

	Notes	30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**133,995**	132,619
Land use rights		**11,538**	11,664
Intangible assets		**24,207**	24,207
		169,740	168,490
Current assets			
Inventories		**15,144**	21,573
Trade and other receivables	9	**123,043**	137,388
Bank balances and cash		**981,485**	199,765
		1,119,672	358,726
Current liabilities			
Trade and other payables	10	**75,454**	82,571
Amount due to a director		**–**	62,400
Short-term bank loans		**35,000**	43,000
Other financial liability		**–**	140,400
		110,454	328,371
Net current assets		**1,009,218**	30,355
Total assets less current liabilities		**1,178,958**	198,845
Non-current liabilities			
Obligation under finance leases		**18**	–
Deferred taxation		**4,587**	4,587
		4,605	4,587
Net assets		**1,174,353**	194,258
Capital and reserves			
Paid-in capital	11	**17,098**	12,800
Reserves		**1,157,255**	181,458
Total equity		**1,174,353**	194,258

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Preparation

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

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

2. Principal Accounting Policies

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

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

Assets held under finance leases

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

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

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

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

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

The adoption of these new HKFRSs has had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group:

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

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

3. Segment Information

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

4. Turnover and Other Income

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

5. Profit before Taxation

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging:		
Directors' remuneration	**1,993**	258
Other staff's retirement benefits scheme contributions	**9**	793
Other staff costs	**7,219**	7,537
	9,221	8,588
Less: Staff costs included in research and development costs	**(335)**	(333)
	8,886	8,255
Deprecation	**2,797**	2,082
Less: Depreciation included in research and development costs	**(133)**	(133)
	2,664	1,949
Operating lease rentals in respect of		
– land use rights	**252**	126
– rented premises	**472**	102
Research and development cost	**630**	692

6. Taxation

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

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

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

7. Dividends

No dividends have been paid or declared by the Company since its incorporation. The dividends paid during the six months ended 30 June 2006 represented dividends distributed by 福建三愛藥業有限公司 Fujian Sanai Pharmaceutical Co., Ltd ("Fujian Sanai") to its then shareholders before the completion of the Group Reorganisation.

8. Earnings per Share

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

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

9. Trade and Other Receivables

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

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

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

10. *Trade and Other Payables*

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

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

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

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

11. Paid-in Capital

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

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

Notes:

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

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

1. *Expansion of the Marketing Network*

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

2. *Exploration of the Rural End Market*

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

3. *Expansion of Product Types is Making Contribution*

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

Future Development

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

1. *Further Expansion of the Marketing Network*

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

2. *Strengthen Research and Development Capability*

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

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

3. *Enlargement of Plants to Enhance Productive Capacity*

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

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

Future Prospects

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

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

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

Financial Review

– *Turnover*

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

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

– *Gross profit and Gross Profit Margin*

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

– *Profit for the year*

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

– *Liquidity and Financial Resources*

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

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

– *Exposure to fluctuation in exchange rates*

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

– *Significant Acquisitions and Disposals of Investments*

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

– *The Number and Remuneration of Employees*

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

– *Charges on Group Assets*

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

– *Contingent Liabilities*

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

– *Use of Proceeds*

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

During the period under review, the Company applied approximately HK$233 million (equivalent to approximately RMB230 million) and approximately HK$116 million (equivalent to approximately RMB115 million) to the capital injection in our two major subsidiaries Fujian Sanai and 福州三愛藥業有限公司 Fuzhou Sanai Pharmaceutical Co., Ltd. ("Fuzhou Sanai") respectively. The capital injected to those subsidiaries is intended to be used in the construction and expansion of new plants and production lines in Fuzhou and Jianyang. In addition, approximately HK$62 million (equivalent to approximately RMB62 million) has been used for repayment of an interest-free shareholder's loan for the acquisition of a 40% interest in Fuzhou Sanai from Mr. Lin Ou Wen.

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

INTERIM DIVIDEND

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

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTION SCHEME

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

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

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

CODE ON CORPORATE GOVERNANCE PRACTICES

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUDIT COMMITTEE

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

APPRECIATION

I would like to take this opportunity to thank our shareholders for their continuous support and my fellow Directors and staff for their contributions to the Company.

By Order of the Board
Wuyi International Pharmaceutical Company Limited
Lin Ou Wen
Chairman and Chief Executive Officer

Hong Kong, 5 September 2007

As at the date of this announcement, (a) the executive Directors are Mr. Lin Ou Wen, Mr. Lin Qing Ping, Mr. Dennis Luan Thuc Nguyen and Mr. Xu Chao Hui; (b) the non-executive Directors are Mr. Tang Bin and Mr. John Yang Wang; (c) the independent non-executive Directors are Mr. Goh Jin Hian, Mr. Liu Jun and Mr. Lam Yat Cheong.