WING SHAN INTERNATIONAL LIMITED
榮 山 國 際 有 限 公 司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 570)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

INTERIM RESULTS

The board of directors (the "Board") of Wing Shan International Limited (the "Company", together with its subsidiaries known as the "Group") announces that the unaudited consolidated interim results of the Group for the six months ended 30 June 2008 are as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2008 – Unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2008	2007
	Note	***$'000***	*$'000*
Turnover	*2*	**228,192**	183,287
Cost of sales		**(143,871)**	(106,345)
Gross profit		**84,321**	76,942
Other revenue	*3*	**1,299**	1,127
Other net income	*3*	**570**	455
Selling and distribution costs		**(33,662)**	(45,404)
Administrative expenses		**(21,416)**	(25,367)
Profit from operations		**31,112**	7,753
Finance costs	*4(a)*	**(737)**	(543)
Profit before taxation	*4*	**30,375**	7,210
Income tax	*5*	**(9,961)**	948
Profit for the period		**20,414**	8,158
Attributable to:			
– Equity shareholders of the Company		**7,871**	2,317
– Minority interests		**12,543**	5,841
Profit for the period		**20,414**	8,158
Basic and diluted earnings per share	*7*	**0.95 cents**	0.28 cents

CONSOLIDATED BALANCE SHEET
At 30 June 2008 – Unaudited
(Expressed in Hong Kong dollars)

	Note	At 30 June 2008 $'000	At 31 December 2007 (audited) $'000
Non-current assets			
Fixed assets			
– Property, plant and equipment		**142,999**	141,817
– Investment property		**8,327**	7,963
– Interests in leasehold land held for own use under operating leases		**26,666**	25,349
		177,992	175,129
Construction in progress		**1,131**	144
Intangible assets		**88,601**	90,701
Goodwill		**141,285**	132,738
Other financial assets		**3,112**	3,953
		412,121	402,665
Current assets			
Inventories and consumables		**72,574**	72,895
Trade and other receivables	*9*	**92,426**	72,633
Restricted deposits		**1,594**	1,498
Cash and cash equivalents		**94,565**	82,364
		261,159	229,390
Current liabilities			
Trade and other payables	*10*	**85,810**	94,958
Bank loans		**18,222**	–
Tax payable		**6,861**	5,864
		110,893	100,822
Net current assets		**150,266**	128,568
Total assets less current liabilities		**562,387**	531,233
Non-current liabilities			
Deferred tax liabilities		**33,546**	33,805
Net assets		**528,841**	497,428
Capital and reserves			
Share capital	*11*	**83,097**	83,097
Reserves		**265,220**	241,068
Total equity attributable to equity shareholders of the Company		**348,317**	324,165
Minority interests		**180,524**	173,263
Total equity		**528,841**	497,428

NOTES

(Expressed in Hong Kong dollars)

1. Basis of preparation

This interim financial report is unaudited, but has been reviewed by the audit committee of the Company and by its auditors, KPMG, 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 ("HKICPA").

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the HKICPA. It was authorized for issuance on 12 September 2008.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

In preparing this interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated accounts as at and for the year ended 31 December 2007.

This interim financial report contains condensed consolidated accounts and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2007 annual accounts. The condensed consolidated interim accounts and notes thereon do not include all of the information required for a full set of accounts prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable Hong Kong Financial Reporting Standards, HKASs and Interpretations.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. The Board of Directors has determined the accounting policies expected to be adopted in the preparation of the Group's annual accounts for the year ending 31 December 2008, on the basis of HKFRSs currently in use.

The HKFRSs that will be effective or available for voluntary early adoption in the annual accounts for the year ending 31 December 2008 may be affected by the issue of additional interpretation(s) or other changes announced by the HKICPA subsequent to the date of issuance of this interim financial report. Therefore the policies that will be applied in the Group's accounts for that period cannot be determined with certainty at the date of issuance of this interim financial report.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2007 annual accounts. The adoption of the new and revised HKFRSs did not have significant impact on the Group's results of operations and financial position.

The financial information relating to the financial year ended 31 December 2007 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory accounts for that financial year but is derived from those accounts. Statutory accounts for the year ended 31 December 2007 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those accounts in their report dated 23 April 2008.

2. Turnover

The principal activities of the Group are manufacture and sale of pharmaceutical products in the People's Republic of China ("PRC"). Turnover represents the sales value of goods sold less returns, discounts, value added tax and sales tax.

Turnover may be analyzed as follows:

	Six months ended 30 June	
	2008	2007
	$'000	*$'000*
Sale of pharmaceutical products		
– Pills and tablets	**162,982**	127,686
– Medicine wine	**17,412**	16,624
– Paste, granules and others	**47,798**	38,977
	228,192	183,287

3. Other revenue and net income

	Six months ended 30 June	
	2008	2007
	$'000	*$'000*
Other revenue		
Government grants	**704**	591
Interest income	**595**	536
	1,299	1,127
Other net income		
Rental income	**599**	454
Others	**(29)**	1
	570	455

4. Profit before taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2008	2007
	$'000	*$'000*
(a) Finance costs		
Interest on bank advances and other borrowings wholly repayable within five years	**737**	543
(b) Other items		
Cost of inventories	**143,871**	106,345
Depreciation and amortization		
– assets held for use under operating leases	**144**	133
– lease prepayment	**307**	279
– other assets	**9,305**	9,016
– intangible assets	**7,712**	7,066
Impairment losses for trade receivables	**1,437**	771
Operating lease charges on buildings	**182**	185

5. Income tax in consolidated profit and loss account

	Six months ended 30 June	
	2008	2007
	$'000	*$'000*
Current tax		
PRC enterprise income tax for the period	**11,388**	5,001
Under-provision in prior years	**432**	–
	11,820	5,001
Deferred tax		
Origination and reversal of temporary differences	**(1,859)**	(3,308)
Effect of change in tax rate on deferred tax	**–**	(2,641)
	(1,859)	(5,949)
	9,961	(948)

No provision has been made for Hong Kong Profits Tax as the Group sustained losses in Hong Kong for taxation purposes during the period.

Pursuant to the income tax rules and regulations of the PRC, the applicable PRC enterprise income tax of the Group's subsidiaries, Foshan Dezhong Pharmaceutical Co., Ltd. ("DZH") and Foshan Feng Liao Xing Pharmaceutical Co., Ltd. ("FLX") was 27% for the years prior to 31 December 2007.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("new tax law") which took effect on 1 January 2008. As a result of the new tax law, the income tax rate applicable to DZH and FLX changed from 27% to 25% with effect from 1 January 2008. The change in the carrying amount of the deferred tax liabilities as a result of the change in tax rate has been reflected in the annual report of the Group for the year ended 31 December 2007 and the interim report for the period ended 30 June 2007.

FLX was recognized as a new high technology enterprise pursuant to document "粵外經貿加證字458號" issued by The Department of Foreign Trade and Economic Cooperation of Guangdong Province and received approvals from the Foshan Tax Bureau for a three-year income tax reduction to 12% up to 31 December 2007. Hence, FLX was subject to PRC enterprise income tax at 12% for the period ended 30 June 2007.

Further under the new tax law, the gross amount of dividends received by the Company from its PRC subsidiaries in respect of their profits generated after 1 January 2008 is subject to withholding tax at a rate of 5%. Under the grandfathering treatments, the undistributed profits of the PRC subsidiaries as at 31 December 2007 are exempted from withholding tax.

6. Dividends

(a) Dividends attributable to the interim period

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2008 (six months ended 30 June 2007: Nil).

(b) Dividends attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June	
	2008	2007
	$'000	*$'000*
Final dividend in respect of the financial year ended 31 December 2007, approved and paid during the following interim period, of HK0.5 cent (year ended 31 December 2006: Nil) per ordinary share	**4,155**	–

7. Earnings per share

(a) Basic

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $7,871,000 (six months ended 30 June 2007: $2,317,000) and the 830,974,244 ordinary shares (six months ended 30 June 2007: 830,152,078) in issue during the period.

(b) Diluted

The diluted earnings per share for the six months ended 30 June 2007 and 2008 is the same as the basic earnings per share as all potential ordinary shares are anti-dilutive.

8. Segment reporting

The Group primarily operates in one business segment – manufacture and sale of pharmaceutical products. It operates principally in one geographical segment – the PRC. Substantially all of the Group's assets were located in the PRC. Accordingly, no analysis of the segment information is presented.

9. Trade and other receivables

	At 30 June 2008	At 31 December 2007 (audited)
	$'000	*$'000*
Trade and bills receivables	**86,385**	63,496
Less: allowance for doubtful debts	**(4,005)**	(2,372)
	82,380	61,124
Deposits, prepayments and other receivables	**10,046**	11,509
	92,426	72,633

Included in trade and other receivables are trade and bills receivables (net of allowance for doubtful debts) with the following ageing analysis as of the balance sheet date:

	At 30 June 2008	At 31 December 2007 (audited)
	$'000	*$'000*
Within 3 months of invoice date	**64,867**	52,110
3 to 6 months after invoice date	**16,423**	6,782
More than 6 months after invoice date	**1,090**	2,232
	82,380	61,124

Debts are due within 30 to 90 days from the date of billing. All of the trade and other receivables are expected to be recovered within one year.

10. Trade and other payables

	At 30 June 2008	At 31 December 2007 (audited)
	$'000	*$'000*
Trade creditors	**21,796**	20,707
Other creditors and accrued charges	**62,439**	69,095
Advances received from customers	**1,575**	5,156
	85,810	94,958

Included in trade and other payables are trade creditors with the following ageing analysis as of the balance sheet date:

	At 30 June 2008	At 31 December 2007 (audited)
	$'000	*$'000*
Due within 1 month or on demand	**21,796**	20,707

11. Share capital

	At 30 June 2008		At 31 December 2007	
	Number of shares	**Nominal value**	Number of shares (audited)	Nominal value (audited)
	’000	**$’000**	’000	$’000
Authorized:				
Share of $0.10 each	**3,000,000**	**300,000**	3,000,000	300,000
Issued and fully paid:				
At 1 January	**830,974**	**83,097**	830,146	83,015
Shares issued under share option scheme	–	–	828	82
At 30 June 2008/31 December 2007	**830,974**	**83,097**	830,974	83,097

MANAGEMENT DISCUSSION AND ANALYSIS

Performance review

The Group is engaged in manufacturing and sale of Chinese medicine and pharmaceutical products in the PRC. The Group’s turnover represents the sales invoiced value, net of returns, discounts, value added tax and sales tax. The turnover for the six months ended 30 June 2008 grew by 24.50% amounting to HK$228.19 million comparing with the turnover of HK$183.29 million for the six months ended 30 June 2007 which included the increase in sale prices and volume as well as the appreciation of Renminbi. The gross profit ratio dropped from 41.98% for the six months ended 30 June 2007 to 36.95% for the six months ended 30 June 2008. The decrease in gross profits ratio was mainly owing to the increase in costs of raw materials and wages.

For the six months ended 30 June 2008, the profit before taxation enlarged to HK$30.38 million (six months ended 30 June 2007: HK$7.21 million) equal to the increase of 321.36%. The primary reason of the increase in the profit before taxation was the cut down in selling and distribution costs. Because of the changes in the tax law of the PRC, the net profit for the six months ended 30 June 2008 only increased by 150.12% to HK$20.41 million comparing with the six months ended 30 June 2007 amounted to HK$8.16 million.

The profit for the six months ended 30 June 2008 of HK$20.41 million comprised the profit attributable to the equity shareholders of the Company amounting to HK$7.87 million and the profit attributable to the minority interests amounting to HK$12.54 million. The profit attributable to the equity shareholders of the Company had been incorporated the entire administrative and operating expenses in relation to the Company.

Market review

The PRC has been experiencing a continuous and steady economic growth over the years with rising personal income and spending power of the general public together with improvement in living standard. In addition, due to the aging population and increasing healthcare awareness of people in the PRC, there is huge demand for quality pharmaceutical products. Under the circumstances, the pharmaceutical market in the PRC is rapidly developing.

On the other hand, the PRC has strengthened its policy in recent years to restrict the price increasing in Chinese medicine and pharmaceutical products, such on-going medicine price reform unavoidably affected the Group's performance. Furthermore, the prices in all aspects in the PRC have been tremendously increased, especially in the last year, which included raw materials, energy, labour and rental. The Group will be reducing various costs in different aspects of operation in procurement of raw materials, production, sales, transportation and storages. In particular, various sourcing channels are used for the procurement of raw materials, packing materials and supplementary materials, so that cost of production is kept at a reasonable level.

In research and development, the Group co-operates with its research and development partners, 中山大學醫學院 (Sun Yat-San University Medical Faculty) and 北京協和醫院 (Peking Union Medical College Hospital) for enlarging the capability of its research and development teams, constantly development of high-tech, high-quality and high-value added new patented products for the market.

Prospects

With the acceleration of medical reforms in the PRC, medical insurance under the current basic medical insurance system for rural and urban citizens will raise the affordability of patients and thus increase the demand for medicines. The Group focuses on technology innovation, improving the quality of products, accumulating the development of strong and stable customer relations affiliated with sales and marketing network, increasing product's market share as well as expanding sales team and improving its quality and skills. The Group will seize the opportunity actively by enlarging its market share and coverage in the urban and rural areas of the PRC. The improvements are not only giving benefits but also enhance the ability of the Group to resist risks and threats. It will also increase the overall strength and support the smooth development of the Group's operation.

In light of changes in worldwide and the PRC economic environment, the Group will carefully manage its assets and operations to achieve the principal objectives of the Group in providing quality Chinese medicine and pharmaceutical products along with maximizing shareholders value.

Financial review

Funding for the Group's operations during the period came from internally generated cash flows. In case of shortfalls, short-term bank loans were drawn down to fit such necessity.

Liquidity and financial resources

As at 30 June 2008, the Group's current assets amounted to HK$261.16 million (31 December 2007: HK$229.39 million). The current liabilities amounted to HK$110.89 million (31 December 2007: HK$100.82 million) including bank loans of HK$18.22 million (31 December 2007: Nil). Net working capital surplus amounted to HK$150.27 million (31 December 2007: HK$128.57 million). The Group's current ratio expectedly and slowly increased from 2.28 to 2.36.

Net assets

As at 30 June 2008, the Group's net assets value excluding minority interests amounted to HK$348.32 million (31 December 2007: HK$324.17 million).

Bank loans and borrowings

As at 30 June 2008, the Group had committed short-term bank loans amounting to HK$18.22 million (31 December 2007: Nil).

Capital structure and gearing ratio

As at 30 June 2008, the Group's capital structure comprised the shareholders' equity and the short-term bank loans amounting to HK$366.54 million (31 December 2007: HK$324.17 million without short-term bank loans). As at 30 June 2008, the gearing ratio, being the aggregate amount of the short-term bank loans as a percentage of equity attributable to equity shareholders of the Company was 5.23%.

Charge on group assets

As at 30 June 2008, there was no charge on the Group's assets for whatsoever purposes (31 December 2007: Nil).

Contingent liabilities and capital commitments

As at 30 June 2008, the Group had no contingent liabilities but had contracted capital commitments amounting to HK0.43 million (31 December 2007: Nil).

Exchange rate risk

During the period, individual companies within the Group had limited foreign currency risk as most of the transactions are denominated in the same currency as the functional currency of the operations in which they relate. The Group is of the opinion that its exposure to foreign exchange rate fluctuations is limited so that no financial instrument has been used for the purpose of hedging exchange rate risk.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2008, the Group employed a total of 937 (31 December 2007: 951) staff, including the directors of the Company. Remuneration packages principally comprised salary, discretionary performance bonus based on individual merits and share option scheme. The Group's total employee remuneration for the six months period ended 30 June 2008 was approximately HK$30.48 million (six months ended 30 June 2007: HK$24.75 million).

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2008 (six months ended 30 June 2007: Nil).

CODE OF CORPORATE GOVERNANCE PRACTICES

To the knowledge of the Board, the Company has complied throughout the six months ended 30 June 2008 with the Code Provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions. Specific enquiry has been made with all directors and the directors have confirmed that they have complied with the required standard set out in the Model Code throughout the period. Furthermore, senior management who are likely to be possession of unpublished price sensitive information, have been required to comply with the provisions of the Model Code.

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

During the six months ended 30 June 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board
DU Richeng
Chairman

Hong Kong, 12 September 2008

As at the date of this announcement, the Board comprises of 7 directors, of whom Mr. DU Richeng is the non-executive director; Mr. LAM Siu Hung, Mr. SITU Min, Mr. LI Songquan are the executive directors; and Mr. CHAN Ting Chuen, David, Mr. NG Pui Cheung, Joseph and Mr. CHEUNG Kin Piu, Valiant are the independent non-executive directors.