



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)



07
INTERIM REPORT

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, 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 report 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 report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

BUSINESS REVIEW AND PROSPECTS

Business Review

Having successfully achieved a breakthrough in the first quarter, the Group's significant growth momentum in sales and profitability accelerated in the second quarter. For the second quarter of 2007, turnover was HK\$18.34 million, up 38% from the last quarter. Profit after tax for the second quarter increased sharply to HK\$3.23 million, representing an increase of 275% over the first quarter. For the first six months of 2007, the Group registered sales of HK\$31.66 million, an increase of 63% over the same period of last year. Profit after tax for the six months ended 30 June 2007 reached a record high of HK\$4.09 million.

Record turnover and profit of the first half of the year were results of growth in not only the new products, but also the "old" products. The increase over the same period last year for the three products in the market for over one year ranged from 22% to 77% in the first six months. For our newly launched proprietary product, *Slounase*[®] saw a strong growth in the second quarter of 2007 with sales amount increased by 138% over the first quarter of 2007 which was preceded with an increase of 109% in the first quarter.

Gross profit margin continued to improve from 63.4% for the first half year of 2006 to 68.7% for the same period in 2007. The reduction in unit cost of license-in product and increase in sales of in-house developed products contributed to the increase in gross profit margin.

Selling and distribution expenses to turnover ratio reduced to 31% for the second quarter of 2007 compared with 33% for the first quarter. The ratio also dropped to 32% for the first half year of 2007 from 36% for the first half year of 2006. The drop in ratio was mainly due to economy of scale from the increase in sales level and our effort to control selling expenses and to improve its effectiveness.

The administrative expenses for the first half year of 2007 decreased by 3.8% from the same period last year mainly due to drop in bad debt provision. Despite significant growth in sales, the Group's trade receivables were controlled in a healthy level at around twenty six days' turnover.

During the period under review, the Group has achieved important milestones in clinical studies of Horus[®]S coronary stent and Challenger balloon. The enrollment of patients for a clinical trial on Horus[®]S stent has been successfully completed, and the clinical study to evaluate the efficacy and safety of Challenger balloon catheter for patients with coronary heart disease has also been successfully completed. The Group has also initiated the clinical study of Bemiparin on dialysis patients and the enrollment of patients is progressing well. The pharmacokinetic study of Bemiparin has been completed, with study report being ready soon for submission purpose.

The Group has also made registration submission for three imported products during the period under review, bringing the Group's total number of imported products now under China SFDA review to six. Given the strength of the Group's *Carnitene*[®] franchise, the obtaining of Import Drug License for *Carnitene*[®] 2g injection from China SFDA in April, 2007 will undoubtedly boost its competitiveness in the market place.

The Group has continued to implement its strategy of global partnership with renewed vigor during the period under review. It has signed distribution agreements with four different European companies for six different products, expanding the Group's pipeline into other high growth areas such as anti-depression drug market. More discussions of partnership are underway with different US or European companies and the Group is expected to secure more products in the near future, ensuring strong and sustainable growth.

Prospects

The Board is very optimistic about the continuing growth of revenue and profit of the Group.

Most of tenders that the Group participated and won in the first half of the year are coming into effect in second and third quarters, fueling further growth in product sales. For the newly launched product *Slounase*[®], the pace of market penetration is expected to pick up steam as its acceptance by medical community will increase with more and more positive clinical experiences.

In addition, the Group is still on schedule to launch two new products in the third and fourth quarter respectively. One of the new products is an imported product which is already registered in China and readily available for the market. It targets a market with substantial potential that could become a new growth engine of the Group.

With the completion of the clinical study for Challenger balloon catheter, the Group is on track to make the registration submission and obtain the marketing approval by the end of 2007. The expected launch of the product in 2008 will provide the Group yet another revenue stream.

The Group is confident that the successful implementation of its growth strategy of product and partnership will propel the Group to a new level of revenue and profitability.

FINANCIAL REVIEW

Liquidity and financial resources

As at 30 June 2007, the Group had cash and bank balances and pledged bank deposits of approximately HK\$6.31 million (31 December 2006: HK\$6.83 million). In terms of liquidity, the current ratio (current assets/current liabilities) was about 1.20 times (31 December 2006: 1.03 times).

As at 30 June 2007, the Group had bank and other borrowings of approximately HK\$9.69 million and shareholders' funds of approximately HK\$37.8 million. Its gearing ratio calculated based on the net borrowings (after deducting cash and bank balances) to shareholders' fund, was 8.96% (31 December 2006: 15%)

Charges on Group Assets

As at 30 June 2007, leasehold land and buildings and machinery with an aggregate net book value of approximately HK\$10.09 million (31 December 2006: HK\$10.23 million) were pledged to banks and other institutions to secure general credit facilities granted to the Group.

In addition, time deposits of HK\$2.01 million were pledged as securities for banking facilities as at 30 June 2007 (31 December 2006: HK\$2.01 million)

Foreign Exchange Exposure

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

Employee Information

As at 30 June 2007, the Group employed a total of 193 full time employees (31 December 2006: 188 employees) with a total staff cost for the six months ended 30 June 2007 of approximately HK\$6.6 million (including directors' remuneration).

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

Contingent Liabilities

As at 30 June 2007, the Group had no contingent liabilities.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2007	2006	2007	2006
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	(2)	18,340	8,915	31,661	19,392
Cost of sales		(5,716)	(2,814)	(9,910)	(7,102)
Gross profit		12,624	6,101	21,751	12,290
Other revenue		319	367	435	631
Selling and distribution expenses		(5,718)	(3,727)	(10,164)	(6,950)
Research and development expenses		(370)	(284)	(707)	(545)
Administrative expenses		(3,155)	(3,755)	(6,465)	(6,720)
Profit (loss) from operations	(4)	3,700	(1,298)	4,850	(1,294)
Finance costs		(240)	(125)	(496)	(274)
Profit (loss) before taxation		3,460	(1,423)	4,354	(1,568)
Taxation	(5)	(228)	(22)	(261)	(93)
Profit (loss) attributable to shareholders		3,232	(1,445)	4,093	(1,661)
Dividends	(6)	–	–	–	–
		HK cents	HK cents	HK cents	HK cents
Earnings (loss) per share					
Basic	(7)	0.93	(0.42)	1.18	(0.48)
Diluted	(7)	0.87	N/A	1.11	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	(Unaudited) 30 June 2007 HK\$'000	(Audited) 31 December 2006 HK\$'000
Non-current Assets			
Property, plant and equipment	(8)	14,702	14,484
Intangible assets		15,557	14,225
Lease premium for land		1,177	1,162
Goodwill		3,900	3,900
		35,336	33,771
Current Assets			
Lease premium for land		29	29
Inventories		5,956	4,075
Trade receivables	(9)	4,548	4,161
Other receivables, deposits and prepayments		6,067	3,757
Pledged bank deposits		2,012	2,012
Cash and bank balances		4,295	4,815
		22,907	18,849
Current Liabilities			
Trade payables	(10)	1,192	666
Other payables		8,574	6,319
Bank overdraft		1,268	819
Short term borrowings		7,572	10,326
Tax payable		422	134
		19,028	18,264
Net Current Assets		3,879	585
Total Assets less Current Liabilities		39,215	34,356
Capital and Reserves			
Share capital	(11)	17,311	17,311
Reserves		20,461	15,878
Equity Attributable to Shareholders of the Company		37,772	33,189
Non-current Liabilities			
Deferred tax liabilities		591	599
Long-term borrowings		852	568
		1,443	1,167
		39,215	34,356

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Net cash from operating activities	3,760	2,573
Net cash used in investing activities	(2,169)	(2,641)
Net cash used in financing activities	(2,598)	(280)
Decrease in cash and cash equivalents	(1,007)	(348)
Cash and cash equivalents at beginning of the period	6,008	5,890
Effect of foreign exchange rate changes	38	21
Cash and cash equivalents at end of the period	5,039	5,563
Analysis of the balance of cash and cash equivalents		
Cash and bank balances	4,295	3,549
Pledged bank deposits	2,012	2,014
Bank overdraft	(1,268)	–
	5,039	5,563

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Merger difference	Revaluation reserve	Share-based compensation reserve	Exchange reserve	Accumulated 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 2007	17,311	32,496	9,200	3,237	666	827	(30,548)	33,189
Share option benefits	-	-	-	-	113	-	-	113
Exchange rate adjustment not recognized in consolidated income statement	-	-	-	83	-	294	-	377
Profit for the period	-	-	-	-	-	-	4,093	4,093
At 30 June 2007	17,311	32,496	9,200	3,320	779	1,121	(26,455)	37,772
At 1 January 2006	17,311	32,496	9,200	3,106	443	183	(27,079)	35,660
Share option benefits	-	-	-	-	110	-	-	110
Exchange rate adjustment not recognized in consolidated income statement	-	-	-	37	-	172	-	209
Loss for the period	-	-	-	-	-	-	(1,661)	(1,661)
At 30 June 2006	17,311	32,496	9,200	3,143	553	355	(28,740)	34,318

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 2006.

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

2. **Turnover**

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

3. Segment information

Business segments

The following table presents turnover and results of the Group's business segments for the six months ended 30 June 2007.

	Proprietary products		License-in products		Consolidated	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Segment turnover	17,431	11,193	14,230	8,199	31,661	19,392
Segment results	4,261	949	1,247	(1,519)	5,508	(570)
Interest income					60	13
Unallocated expenses					(718)	(737)
Profit (loss) from operations					4,850	(1,294)
Finance costs					(496)	(274)
Profit (loss) before taxation					4,354	(1,568)
Taxation					(261)	(93)
Profit (loss) attributable to shareholders					4,093	(1,661)

Geographical segments

During the six months ended 30 June 2007 and 2006, more than 90% of the Group's turnover was derived from activities conducted in the PRC, no geographical segmental information is presented.

4. Profit (loss) from operations

	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Profit (loss) from operations has been arrived at after charging :				
Depreciation of property, plant and equipment	513	415	1,005	800
Amortisation of lease premium for land	7	7	15	13
Amortisation of intangible assets	125	162	251	323
Total depreciation and amortisation	645	584	1,271	1,136
Bad debts provision and written off	19	520	34	513
Other receivable written off	-	177	-	177

5. Taxation

	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Current tax				
PRC income tax	239	34	284	116
Deferred tax				
Credit of current period	(11)	(12)	(23)	(23)
Taxation attributable to the Group	228	22	261	93

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit for the period. PRC income tax is calculated at the rates applicable in the PRC.

6. Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2007 (2006: Nil).

7. Earnings (loss) per share

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

	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$
Net profit (loss) attributable to shareholders for the purpose of basic earnings (loss) per share	3,232,000	(1,445,000)	4,093,000	(1,661,000)
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	346,225,000	346,225,000	346,225,000	346,225,000
Effect of dilutive potential ordinary shares: options and warrants	26,159,400	N/A	23,094,541	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	372,384,400	N/A	369,319,541	N/A

The diluted loss per share for the six months ended 30 June 2006 is not presented as the potential ordinary shares in respect of outstanding share options and warrants are anti-dilutive.

8. Movements in property, plant and equipment

During the period ended 30 June 2007, additions to fixed assets amounted to HK\$0.8 million.

9. 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) 30 June 2007 <i>HK\$'000</i>	(Audited) 31 December 2006 <i>HK\$'000</i>
1-90 days	4,357	3,933
91-180 days	152	193
181-365 days	79	49
Over 365 days and under 3 years	38	47
	4,626	4,222
Less: Allowance for bad and doubtful debts	(78)	(61)
	4,548	4,161

10. Trade payables

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

	(Unaudited) 30 June 2007 <i>HK\$'000</i>	(Audited) 31 December 2006 <i>HK\$'000</i>
1-90 days	1,160	666
91-180 days	–	–
181-365 days	32	–
Over 365 days	–	–
	1,192	666

11. Share capital

	Number of ordinary shares of HK\$0.05 each	Amount HK\$'000
Authorised:		
At 30 June 2007 and 31 December 2006	1,000,000,000	50,000

Issued and fully paid:

	Number of ordinary shares of HK\$0.05 each		Amount	
	30 June 2007	31 December 2006	30 June 2007	31 December 2006
			<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning and end of the period	346,225,000	346,225,000	17,311	17,311

12. Capital commitments

The Group did not have any significant capital commitments as at 30 June 2007.

SHARE OPTION SCHEME

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

Movements of the share option during the period ended 30 June 2007 were as follows:

Grantees	Date of Grant	Outstanding at 1.1.2007	Number of share options			Outstanding at 30.6.2007
			Granted	Exercised/ cancelled	Lapsed	
Directors						
Lee Siu Fong	26.06.2002	1,600,000	-	-	-	1,600,000
Leelalertsuphakun Wanee	13.01.2003	289,000	-	-	-	289,000
Li Xiaoyi	13.01.2003	2,890,000	-	-	-	2,890,000
Mauro Bove	11.07.2005	500,000	-	-	-	500,000
	02.06.2006	500,000	-	-	-	500,000
Chan Yau Ching, Bob	13.01.2003	100,000	-	-	-	100,000
	25.06.2004	300,000	-	-	-	300,000
	11.07.2005	100,000	-	-	-	100,000
Lam Yat Cheong	11.07.2005	300,000	-	-	-	300,000
Tsim Wah Keung, Karl	11.07.2005	300,000	-	-	-	300,000
<i>Sub-total of Directors</i>		6,879,000	-	-	-	6,879,000
Employees						
	26.06.2002	50,000	-	-	-	50,000
	13.01.2003	400,000	-	-	-	400,000
	25.06.2004	5,950,000	-	-	(100,000)	5,850,000
	11.07.2005	3,750,000	-	-	-	3,750,000
Consultant	02.06.2006	500,000	-	-	-	500,000
<i>Sub-total of employees and consultant</i>		10,650,000	-	-	(100,000)	10,550,000
Grand total		17,529,000	-	-	(100,000)	17,429,000

Notes:

1. Particulars of share options:

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

Saved as disclosed above, as at 30 June 2007, none of the Directors or chief executive or their respective spouse or children under 18 years of age were granted or exercise any rights to subscribe for any equity of the Company or any of its associated corporations.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 30 June 2007, the following Directors and chief executive and their associates had interest or short positions in the Shares or underlying Shares of the Company or any of its associated corporations as required to be disclosed under and within the meaning of Part XV of the Securities and Future Ordinance (the "SFO") were as follows:

1. Long positions

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

Name	Capacity and nature	Notes	Number of shares	% of	
				Total	issued share capital
Lee Siu Fong	Beneficial owner		2,334,375		
	Interest of corporation	(i)	<u>163,290,625</u>	165,625,000	47.84
Leelalertsuphakun Wanee	Beneficial owner		1,160,000		
	Interest of corporation	(i)	<u>163,290,625</u>	164,450,625	47.50
Li Xiaoyi	Beneficial owner		80,000		
	Interest of spouse	(ii)	<u>16,000,000</u>	16,080,000	4.64

Notes:

- (i) 163,290,625 Shares are held through Huby Technology Limited ("Huby Technology") and Dynamic Achieve Investments Limited ("Dynamic Achieve"). Each of Huby Technology and Dynamic Achieve is an investment holding company jointly owned by Ms. Lee Siu Fong and Ms. Leelalertsuphakun Wanee.
- (ii) These Shares are held by High Knowledge Investments Limited ("High Knowledge") which is wholly owned by Dr. Li's spouse, Ms. Lue Shuk Ping, Vicky ("Ms. Lue"). The interest held by Ms. Lue is deemed to be part of the interest of Dr. Li.

(b) Share options

Name	Capacity and nature	Number of options held	Number of underlying Shares
Lee Siu Fong	Beneficial owner	1,600,000	1,600,000
Leelalertsuphakun Wanee	Beneficial owner	289,000	289,000
Li Xiaoyi	Beneficial owner	2,890,000	2,890,000
Mauro Bove	Beneficial owner	1,000,000	1,000,000
Chan Yau Ching, Bob	Beneficial owner	500,000	500,000
Lam Yat Cheong	Beneficial owner	300,000	300,000
Tsim Wah Keung, Karl	Beneficial owner	300,000	300,000
		6,879,000	6,879,000

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

Name	Number of Shares	Number of underlying Shares	Aggregate in number
Lee Siu Fong	165,625,000	1,600,000	167,225,000
Leelalertsuphakun Wanee	164,450,625	289,000	164,739,625
Li Xiaoyi	16,080,000	2,890,000	18,970,000
Mauro Bove	–	1,000,000	1,000,000
Chan Yau Ching, Bob	–	500,000	500,000
Lam Yat Cheong	–	300,000	300,000
Tsim Wah Keung, Karl	–	300,000	300,000

2. Short positions

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the paragraph headed "Directors' and Chief Executive's Interests" above, at no time during the six months ended 30 June 2007 were rights to acquire benefits by means of the acquisition of Shares in the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or any of its holding companies and subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

At 30 June 2007, the following persons/companies, other than a Director or chief executive of the Company, who had interests or short positions in the Shares or underlying Shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered into the register maintained by the Company pursuant to Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any members of the Group:

1. Long positions

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

Name	Capacity and nature	Notes	Number of Shares	% of issued share capital
Huby Technology Limited	Beneficial owner		155,290,625	44.85
Defiante Farmaceutica, Lda	Beneficial owner		57,000,000	16.46
High Knowledge Investments Limited	Beneficial owner	(i)	16,000,000	4.62
Lue Shuk Ping, Vicky	Interest in corporation	(i)	16,000,000	4.62
	Interest of spouse	(ii)	80,000	0.02

(b) Underlying shares

Name	Capacity and nature	Notes	Nature of underlying shares	Number of underlying Shares
Defiante Farmaceutica, Lda	Beneficial owner		Unlisted warrants	69,245,000
Lue Shuk Ping, Vicky	Interest of spouse	(ii)	Share Options	2,890,000

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

Name	Number of Shares	Number of underlying Shares	Aggregate in number
Huby Technology Limited	155,290,625	–	155,290,625
Defiante Farmaceutica, Lda	57,000,000	69,245,000	126,245,000
High Knowledge Investments Limited	16,000,000	–	16,000,000
Lue Shuk Ping, Vicky	16,080,000	2,890,000	18,970,000

Notes:

- (i) These Shares are legally owned by High Knowledge Investments Limited, which is entirely and beneficially owned by Dr. Li Xiaoyi's spouse, Ms. Lue.
- (ii) Dr. Li Xiaoyi, husband of Ms. Lue, has been granted share options to subscribe for 2,890,000 Shares under Share Option Scheme and has beneficial interest in 80,000 Shares and therefore Ms. Lue is deemed to be interested in such number of Shares

2. Short positions

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

Saved as disclosed above, as at 30 June 2007, so far as is known to the Directors, no person was recorded in the register required by the SFO to be kept as having an interest of 5% or more of the issued share capital of the Company or short positions in the Shares or underlying Shares of the Company.

SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2007, the Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry of all Directors and the Company was not aware of any non-compliance with such code of conduct and required standard of dealings throughout the six months period ended 30 June 2007.

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 2007.

COMPETING INTERESTS

None of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with the Group during the six months ended 30 June 2007.

AUDIT COMMITTEE

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

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

The audit committee has reviewed with the management and auditors this unaudited interim report for the six months ended 30 June 2007 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 2007, with deviations from provision B.1 of the Code.

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

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

Executive directors:

Ms. Lee Siu Fong (*Chairperson*)

Ms. Leelalertsuphakun Wanee

Dr. Li Xiaoyi

Non-executive director:

Dr. 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

Chairperson

Hong Kong, 13 August 2007