



* For identification purposes only

INTERIM REPORT 2009



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)

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

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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

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*®, *Livaracine*®, *Slounase*®, *Carnitene*® 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*® 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*® 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. *Livacine*®, 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*[®] 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.

FINANCIAL REVIEW

Liquidity and financial resources

As at 30 June 2009, the Group had cash and bank balances and pledged bank deposits of approximately HK\$29.4 million (31 December 2008: HK\$24.2 million). In terms of liquidity, the current ratio (current assets/current liabilities) was about 2.11 times (31 December 2008: 2.73 times).

As at 30 June 2009, the Group had bank and other borrowings of approximately HK\$11 million and shareholders' funds of approximately HK\$101.45 million. Its gearing ratio calculated based on the net borrowings (after deducting cash and bank balances) to shareholders' fund was nil as at 30 June 2009 and 31 December 2008.

Charges on Group Assets

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

Foreign Exchange Exposure

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

Employee Information

As at 30 June 2009, the Group employed a total of 272 employees (31 December 2008: 249 employees) with a total staff cost for the six months ended 30 June 2009 of approximately HK\$13.49 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 2009, the Group had no contingent liabilities.

REVIEW REPORT

恒健會計師行

HLM & Co.

Certified Public Accountants

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TO THE BOARD OF DIRECTORS OF LEE'S PHARMACEUTICAL HOLDINGS LIMITED

(Incorporated in Cayman Islands with limited liability)

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 6 to 22.

Directors' responsibilities

The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules") require the preparation of quarterly financial report to be in compliance with Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKAS"). The quarterly financial report is the responsibility of, and has been approved by the directors.

Review work performed

We conducted our review in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants ("HKSRE 2410"). A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the three months and six months ended 30 June 2009.



HLM & Co.

Certified Public Accountants

Hong Kong, 14 August 2009

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) 30 June 2009 HK\$'000	(Audited) 31 December 2008 HK\$'000
	<i>Notes</i>		
Non-current Assets			
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
Current Assets			
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
Current Liabilities			
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
Net Current Assets		43,485	35,906
Total Assets less Current Liabilities		106,027	87,142
Capital and Reserves			
Share capital	(13)	20,779	20,764
Reserves		80,674	64,571
Equity Attributable to Shareholders of the Company		101,453	85,335
Non-current Liabilities			
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 CASH FLOWS

	Six months ended 30 June	
	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Net cash from operating activities	12,652	11,082
Net cash used in investing activities	(10,876)	(7,053)
Net cash from (used in) financing activities	3,387	(1,234)
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Increase in cash and cash equivalents	5,163	2,795
Cash and cash equivalents at beginning of the period	24,194	18,626
Effect of foreign exchange rate changes	85	275
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Cash and cash equivalents at end of the period	29,442	21,696
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Analysis of the balance of cash and cash equivalents		
Cash and bank balances	27,430	10,714
Pledged bank deposits	2,012	2,012
Time deposits	–	8,970
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	29,442	21,696
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital <i>HKS'000</i>	Share premium <i>HKS'000</i>	Merger difference <i>HKS'000</i>	Share-based compensation reserve <i>HKS'000</i>	Other comprehensive income		Retained profits (Accumulated losses) <i>HKS'000</i>	Total <i>HKS'000</i>
					Revaluation reserve <i>HKS'000</i>	Exchange reserve <i>HKS'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 income attributable to shareholders	-	-	-	-	33	347	20,086	20,466
2008 final dividend paid	-	-	-	-	-	-	(4,568)	(4,568)
At 30 June 2009	20,779	44,599	9,200	1,227	3,690	2,951	19,007	101,453
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 income attributable to shareholders	-	-	-	-	227	1,165	12,364	13,756
2007 final dividend paid	-	-	-	-	-	-	(3,319)	(3,319)
At 30 June 2008	20,744	44,483	9,200	941	3,690	2,844	(10,133)	71,769

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 (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 ¹
HKAS 39 (Amendments)	Eligible Hedged Items ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC)-Int 18	Transfers of Assets from Customers ¹

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.

¹ 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 <i>HKS'000</i>	2008 <i>HKS'000</i>	2009 <i>HKS'000</i>	2008 <i>HKS'000</i>	2009 <i>HKS'000</i>	2008 <i>HKS'000</i>
Segment turnover	46,146	32,431	30,467	22,352	76,613	54,783
Segment results	15,991	10,357	8,731	4,692	24,722	15,049
Interest income					28	97
Unallocated expenses					(2,366)	(1,088)
Profit from operations					22,384	14,058
Finance costs					(225)	(267)
Profit before taxation					22,159	13,791
Taxation					(2,073)	(1,427)
Profit attributable to shareholders					20,086	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) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 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	1,374	796	2,477	1,510
(Written back) allowance for bad and doubtful debts	(25)	18	(41)	89

5. Taxation

	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 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	1,301	807	2,073	1,427

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

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

6. Dividends

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

	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
	2009	2008	2009	2008
Net profit attributable to shareholders for the purpose of basic and diluted earnings per share	HK\$12,284,000	HK\$8,171,000	HK\$20,086,000	HK\$12,364,000
<i>Number of shares:</i>				
Weighted average number of ordinary shares for the purpose of basic earnings per share	415,351,244	414,820,055	415,313,122	414,514,835
Effect of dilutive potential ordinary shares: options	7,064,861	6,117,316	6,537,986	6,425,898
Weighted average number of ordinary shares for the purpose of diluted earnings per share	422,416,105	420,937,371	421,851,108	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)	(Audited)
	30 June	31 December
	2009	2008
	HK\$'000	HK\$'000
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
	16,655	18,208
Less: Allowance for bad and doubtful debts	(255)	(294)
	16,400	17,914

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) 30 June 2009 <i>HKS'000</i>	(Audited) 31 December 2008 <i>HKS'000</i>
0-90 days	10,613	1,598

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

12. Borrowings

	(Unaudited) 30 June 2009 <i>HKS'000</i>	(Audited) 31 December 2008 <i>HKS'000</i>
Secured		
Trust receipt loan	661	–
Bank loans	10,409	3,837
	11,070	3,837
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	–
	11,070	3,837

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

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

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

14. Related party transactions

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

(a) *Related party transactions*

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

Note:

- (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

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

15. Capital commitments

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

17. Subsequent events

On 10 August 2009, the Company and the Subscriber entered into the Subscription Agreement pursuant to which the Company has conditionally agree to issue 30,273,437 Subscription Shares at a price of HK\$0.64 per Subscription Share to the Subscriber or its nominee.

The proceeds from the Subscription of approximately US\$2,500,000 (equivalent to approximately HK\$19,375,000) will be used for business expansion, capital expenditures and general working capital of the Company.

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 2009 were as follows:

Grantees	Date of Grant	Outstanding at 1.1.2009	Number of share options			Outstanding at 30.6.2009
			Granted	Exercised	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
Lam Yat Cheong	11.07.2005	300,000	–	–	–	300,000
<hr/>						
<i>Sub-total of Directors</i>		6,079,000	–	–	–	6,079,000
<hr/>						
Employees	13.01.2003	300,000	–	–	–	300,000
	25.06.2004	4,800,000	(300,000)	–	–	4,500,000
	11.07.2005	2,550,000	–	–	–	2,550,000
	02.01.2008	1,285,000	–	–	–	1,285,000
Consultants	02.06.2006	500,000	–	–	–	500,000
	02.01.2008	2,000,000	–	–	–	2,000,000
	26.11.2008	500,000	–	–	–	500,000
<hr/>						
<i>Sub-total of employees and consultants</i>		11,935,000	(300,000)	–	–	11,635,000
<hr/>						
Grand total		18,014,000	(300,000)	–	–	17,714,000

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 (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	0.280
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 (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	0.218
11.07.2005	(i) 50% exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 11.01.2006-10.07.2015 (ii) unexercised balance thereof be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 11.10.2006-10.07.2015	0.159

Date of Grant	Exercise period	Exercise price per share <i>HKS</i>
02.06.2006	(i) 50% exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 02.12.2006-01.06.2016 (ii) unexercised balance thereof be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 02.09.2007-01.06.2016	0.175
02.01.2008	(i) 50% exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 02.07.2008- 01.01.2018 (ii) unexercised balance thereof be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 02.04.2009-01.01.2018	0.492
26.11.2008	(i) 50% exercisable not less than 6 months from date of grant but not more than 10 years, i.e. 26.05.2009- 25.11.2018 (ii) unexercised balance thereof be exercisable not less than 15 months from date of grant but not more than 10 years, i.e. 26.02.2010-25.11.2018	0.383

Save as disclosed above, as at 30 June 2009, 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 2009, the following Directors and chief executive and their associates had interest or short positions in the Shares or underlying Shares of the Company or any of its associated corporations as required to be disclosed under and within the meaning of Part XV of the Securities and Future Ordinance (the "SFO") were as follows:

1. Long positions

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

Name	Capacity and nature	Notes	Number of Shares	Total	% of issued share capital
Lee Siu Fong	Beneficial owner		1,504,375		
	Interest of corporation	(i)	128,290,625	129,795,000	31.23
Leelalertsuphakun Wanee	Beneficial owner		2,740,000		
	Interest of corporation	(i)	128,290,625	131,030,625	31.53
Li Xiaoyi	Beneficial owner		35,110,000		
	Interest of spouse	(ii)	16,000,000	51,110,000	12.30
Chan Yau Ching, Bob	Beneficial owner		1,190,000	1,190,000	0.29
Tsim Wah Keung, Karl	Beneficial owner		300,000	300,000	0.07

Notes:

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

(b) Share options

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
Lam Yat Cheong	Beneficial owner	300,000	300,000
		6,079,000	6,079,000

(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	129,795,000	1,600,000	131,395,000
Leelalertsuphakun Wanee	131,030,625	289,000	131,319,625
Li Xiaoyi	51,110,000	2,890,000	54,000,000
Chan Yau Ching, Bob	1,190,000	–	1,190,000
Tsim Wah Keung, Karl	300,000	–	300,000
Mauro Bove	–	1,000,000	1,000,000
Lam Yat Cheong	–	300,000	300,000

2. Short positions

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the paragraph headed "Directors' and Chief Executive's Interests" above, at no time during the period ended 30 June 2009 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 2009, the following persons/companies, other than a Director or chief executive of the Company, who had interests or short positions in the Shares or underlying Shares of the Company which are required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered into the register maintained by the Company pursuant to Section 336 of the SFO:

1. Long positions

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

Name	Capacity and nature	Notes	Number of Shares	% of issued share capital
Huby Technology Limited	Beneficial owner		120,290,625	28.95
Defiante Farmaceutica, S.A.	Beneficial owner		123,850,000	29.80
High Knowledge Investments Limited	Beneficial owner	(i)	16,000,000	3.85
Lue Shuk Ping, Vicky	Interest in corporation	(i)	16,000,000	3.85
	Interest of spouse	(ii)	35,110,000	8.45

(b) Underlying shares

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

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

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

Notes:

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

2. Short positions

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

Save as disclosed above, as at 30 June 2009, 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 2009, 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 2009.

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.

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 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 report, the Board comprises the following directors:

Executive directors:

Ms. Lee Siu Fong (*Chairman*)

Ms. Leelalertsuphakun Wanee

Dr. Li Xiaoyi

Non-executive director:

Mr. Mauro Bove

Independent non-executive directors:

Dr. Chan Yau Ching, Bob

Mr. Lam Yat Cheong

Dr. Tsim Wah Keung, Karl

By order of the Board

Lee Siu Fong

Chairman

Hong Kong, 14 August 2009