維奧醫藥控股有限公司
Vital Pharmaceutical Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1164)

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

HIGHLIGHTS

	(unaudited) Six months ended 30 June	
	2008	2007
	HK$'000	HK$'000
Turnover	**329,657**	186,354
Profit attributable to equity holders of the Company	**56,264**	22,273
Basic earnings per share	**HK3.63 cents**	HK1.44 cents
Diluted earnings per share	**HK3.61 cents**	HK1.44 cents
Interim dividend per share	**Nil**	Nil

- Turnover of the Group was about HK$330 million, an increase of approximately 77%, year-on-year;
- Profit attributable to equity holders of the Company increased by approximately 153% year-on-year to around HK$56 million;
- Basic earnings per share was HK3.63 cents;
- The Board would not recommend the payment of an interim dividend.

The board of directors (the "Board") of Vital Pharmaceutical Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2008, together with the comparative figures for the corresponding period of 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2008

		Six months ended 30 June	
		2008	2007
	Notes	**HK$'000**	HK$'000
		(Unaudited)	(Unaudited)
Turnover	*4*	**329,657**	186,354
Cost of sales		**(132,973)**	(62,745)
Gross profit		**196,684**	123,609
Other operating income		**12,828**	9,113
Selling and distribution expenses		**(75,450)**	(63,819)
Administrative expenses		**(57,417)**	(36,193)
Finance costs		**(8,878)**	(4,996)
Profit before taxation		**67,767**	27,714
Income tax expense	*5*	**(11,551)**	(5,602)
Profit for the period	*6*	**56,216**	22,112
Attributable to:			
Equity holders of the Company		**56,264**	22,273
Minority interests		**(48)**	(161)
		56,216	22,112
Interim dividend	*7*	**–**	–
Earnings per share	*8*		
Basic		**HK3.63 cents**	HK1.44 cents
Diluted		**HK3.61 cents**	HK1.44 cents

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2008

	Notes	30/6/2008 HK$'000 (Unaudited)	31/12/2007 HK$'000 (Audited)
Non-current assets			
Intangible assets		**3,790**	4,745
Property, plant and equipment		**266,168**	250,821
Investment properties		**40,333**	–
Prepaid lease payments on land use rights		**42,952**	33,416
Deposit for acquisition of a subsidiary		**–**	52,553
Deposit for acquisition of property, plant and equipment		**7,926**	2,732
Available-for-sale investments		**3,165**	4,782
Goodwill		**139,304**	30,396
		503,638	379,445
Current assets			
Inventories		**151,804**	108,362
Trade and other receivables	*9*	**140,667**	139,281
Prepaid lease payments on land use rights		**1,055**	754
Value added tax recoverable		**10,592**	–
Tax recoverable		**6,031**	6,031
Bank balances and cash			
– pledged		**7,309**	639
– unpledged		**84,121**	106,525
		401,579	361,592
Current liabilities			
Trade and other payables	*10*	**104,070**	105,814
Value added tax payable		**2,326**	11,818
Tax payable		**6,358**	3,152
Obligations under finance leases – due within one year		**321**	300
Bank borrowings – due within one year		**203,211**	115,089
		316,286	236,173
Net current assets		**85,293**	125,419
Total assets less current liabilities		**588,931**	504,864

	30/6/2008 HK$'000 (Unaudited)	31/12/2007 HK$'000 (Audited)
Capital and reserves		
Share capital	**15,511**	15,511
Reserves	**569,615**	487,942
Equity attributable to equity holders of the Company	**585,126**	503,453
Minority interests	**541**	589
	585,667	504,042
Non-current liabilities		
Obligations under finance leases – due after one year	**652**	822
Deferred tax liability	**2,612**	–
	3,264	822
	588,931	504,864

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2008

1. General

The Company is incorporated in the Cayman Islands as an exempted company with limited liabilities. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The condensed consolidated Interim Financial Information are presented in Hong Kong dollars, and the functional currency of the Company's subsidiaries is the Renminbi. As the Company is listed in Hong Kong, the directors of the Company consider that it is appropriate to present the condensed consolidated Interim Financial Information in Hong Kong dollars.

The Company and its subsidiaries (the "Group") are principally engaged in research and development, selling and manufacturing of pharmaceutical products.

2. Basis of Preparation

The unaudited condensed consolidated Interim Financial Information have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Accounting Standard ("HKAS") No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

3. Principal Accounting Policies

The condensed consolidated Interim Financial Information have been prepared under the historical costs basis, except for certain financial instruments, which are measured at fair values.

The condensed consolidated Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2007.

The accounting policies used in the condensed consolidated Interim Financial Information for the six months ended 30 June 2008 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007, except as described below.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for accounting periods beginning 1 January 2008. The adoption of these new HKFRSs has had no material effect on how the results and financial position of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

Hong Kong Accounting Standard ("HKAS") 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combination[3]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Interpretation ("INT") 13	Customer Loyalty Programmes[2]
HK(IFRIC) – INT 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) – INT 16	Hedges of a Net Investment in a Foreign Operation[4]

1 Effective for annual periods beginning on or after 1 January 2009.
2 Effective for annual periods beginning on or after 1 July 2008.
3 Effective for annual periods beginning on or after 1 July 2009.
4 Effective for annual periods beginning on or after 1 October 2008.

The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and financial position of the Group except for the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised). The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

4. Turnover

The Group is principally engaged in research and development, selling and manufacturing of pharmaceutical products. Turnover represents invoiced value of sales, net of returns, discounts allowed and sales taxes where applicable.

The Group's revenues, expenses, assets, liabilities and capital expenditure are primarily attributable to the sales and manufacturing of pharmaceutical products. The Group's principal market is in the People's Republic of China (the "PRC").

No geographical segment in other country is of a sufficient size to be reported separately.

5. Income Tax Expense

	Six months ended 30 June	
	2008	2007
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Overseas income tax		
– current period	**10,598**	5,602
– under provision in prior year	**962**	–
	11,560	5,602
Deferred taxation	**(9)**	–
	11,551	5,602

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the period ended 30 June 2008. No tax is payable on the profit for the period arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward.

Hong Kong Profits Tax has not been provided for in the condensed consolidated Interim Financial Information for the period ended 30 June 2007 as there was no estimated assessable profit derived from Hong Kong in that period.

The Hong Kong Profits Tax amounting in total to HK$6,031,000 of a subsidiary of the Company for the two financial years 2000 and 2001 are under inquiries by the Hong Kong Inland Revenue Department ("IRD"). The subsidiary had lodged an objection against the assessments and the IRD has held over the payment of the profits tax and the equal amount of Tax Reserve Certificates was purchased and recorded as tax recoverable as at 30 June 2008 and 31 December 2007.

The Group had received an advice from a tax expert that, the profits of that subsidiary for the financial years 2000 and 2001 were neither arisen in nor derived from Hong Kong. The directors of the Company believes that the subsidiary has a reasonable likelihood of success in defending its position that the income derived is non-Hong Kong sourced and therefore, are not subject to Hong Kong Profits Tax. Accordingly, no provision for profits tax is required.

Taxation arising in offer jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

In accordance with the relevant regulations, approvals from relevant local tax bureaus and Foreign Enterprise Income Tax Law in the PRC, certain subsidiaries operating in the PRC are entitled to exemption from income tax in the first two years from the first profit-making year, 50% reduction of income tax in the subsequent three years and thereafter, preferential treatments which are subject to the relevant law and regulations. One subsidiary was taxed at 15% (2007: 13%). Another subsidiary has incurred a loss and no income tax is payable for the period (2007: Nil). Other subsidiaries were either in loss-making position for the current and the previous periods or had sufficient tax losses brought forward from previous year to offset the estimated assessable income for the period and accordingly did not have any assessable income.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 issued by the Tenth National People's Congress. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations changed the tax rate for the current period. For companies that were still entitled to certain exemption and reliefs ("Tax Benefit") from PRC income tax, the New Law and Implementation Regulations allow the companies to continue to enjoy the Tax Benefit and the tax rate will change to 25% afterwards. For companies that were subject to tax rate of 33%, the New Law and Implementation Regulations have changed the tax rate from 33% to 25% from 1 January 2008.

The subsidiary operating in Macao is exempted from income tax in Macao.

No Australian income tax has been provided as the subsidiaries operating in Australia had no estimated assessable profits for the current and previous periods.

6. Profit for the Period

Profit for the period has been arrived at after charging (crediting):

	Six months ended 30 June	
	2008	2007
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Amortisation of intangible assets – development costs	**1,161**	1,302
Amortisation of prepaid lease payments on land use rights	**457**	341
Depreciation of property, plant and equipment	**9,478**	9,477
Loss on disposal of property, plant and equipment	**87**	18
Research and development costs	**608**	670
Exchange loss	**1,539**	1,048
Impairment loss recognised (reversal) in respect of trade receivables	**4,202**	(124)
Impairment loss recognised in respect of other receivables	**3,333**	–
Gain on deregistration of a subsidiary	**–**	(90)
Gain on disposal of available-for-sale investments	**(2,030)**	–
Government subsidies income	**(9,793)**	(8,255)
Write back of provision for inventories	**–**	(779)

7. Interim Dividend

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

8. Earnings Per Share

The calculations of the basic and diluted earnings per share attributable to the equity holders of the Company is based on the following data:

	Six months ended 30 June	
	2008	2007
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to equity holders of the Company for the purposes of basic and diluted earnings per share	**56,264**	22,273
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,551,056,993**	1,542,176,606
Effect of dilutive potential shares in respect of share options	**5,303,645**	4,627,050
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**1,556,360,638**	1,546,803,656

9. Trade and Other Receivables

	30/6/2008	31/12/2007
	HK$'000	HK$'000
	(Unaudited)	(Audited)
Trade and bills receivables *(note a)*	**141,320**	127,474
Prepayments and deposits	**3,637**	14,345
Payments for pharmaceutical projects *(note b)*	**20,301**	19,324
Other receivables	**4,336**	2,863
	169,594	164,006
Less: Impairment loss recognised in respect of trade receivables	**(11,389)**	(7,187)
Impairment loss recognised for payments for pharmaceutical projects *(note c)*	**(17,538)**	(17,538)
	140,667	139,281

Notes:

(a) The Group's sales are on open account terms. The Group normally grants to its customers credit periods ranging from 30 days to 180 days which are subject to periodic review by management.

At the balance sheet date, the aging analysis of the trade and bills receivables net of impairment loss recognised was as follows:

	30/6/2008	31/12/2007
	HK$'000	HK$'000
	(Unaudited)	(Audited)
Within 30 days	**63,234**	39,704
31-60 days	**39,752**	40,078
61-90 days	**14,144**	17,844
Over 90 days	**12,801**	22,661
	129,931	120,287

(b) Amounts paid for the development of technology and pharmaceutical products are deferred prior to completion of the projects and included in payments for pharmaceutical projects. On completion, these amounts are transferred to development costs in accordance with the Group's accounting policy.

(c) The directors of the Company reviewed the carrying values of the payments for pharmaceutical projects and considered that in light of the current new drugs policies in the PRC and the current market conditions, the Group had terminated projects which involved high risks and ceased on its own initiative the application of projects of minimal benefit, therefore total impairment loss of approximately HK$17,538,000 (2007: HK$17,538,000) had been recognised.

10. Trade and Other Payables

At the balance sheet date, the aging analysis of the trade and bills payables were as follows:

	30/6/2008	31/12/2007
	HK$'000	HK$'000
	(Unaudited)	(Audited)
Trade and bills payables		
Within 30 days	**1,003**	12,783
31 – 60 days	**14,444**	1,777
61 – 90 days	**11,151**	30
Over 90 days	**16,532**	375
	43,130	14,965
Accrued expenses and other payables	**60,940**	90,849
	104,070	105,814

11. Acquisition of a Subsidiary

On 20 March 2008, the Group acquired the entire equity interest in Sichuan Hengtai Pharmaceutical Company Limited and its subsidiary ("Hengtai Group") for a consideration of RMB200,000,000 (approximately HK$222,222,000). This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was approximately HK$108,908,000.

The relevant information about the acquisition is as follows:

	Acquiree's carrying amount before combination HK$'000	**Fair value adjustment** HK$'000	**Fair value** HK$'000
Net assets acquired:			
Property, plant and equipment	9,671	1,987	11,658
Investment properties	40,333	–	40,333
Prepaid lease payments on land use right	4,326	4,230	8,556
Inventories	40,377	–	40,377
Trade and other receivables	52,246	–	52,246
Value added tax recoverable	2,411	–	2,411
Pledged bank deposits	12,696	–	12,696
Bank balances and cash	33,385	–	33,385
Trade and other payables	(79,252)	–	(79,252)
Tax payable	(6,475)	–	(6,475)
Deferred tax liabilities	(1,066)	(1,555)	(2,621)
	108,652	4,662	113,314
Goodwill			108,908
Total consideration			222,222
Total consideration satisfied by:			
Deposit for acquisition of a subsidiary			52,553
Cash consideration			169,669
			222,222
Net cash outflow on acquisition			
Cash consideration paid			169,669
Less: Bank balances and cash acquired			(33,385)
			136,284

Hengtai Group contributed approximately HK$8,533,000 to the Group's profit for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 January 2008, total Group's turnover for the six months ended 30 June 2008 would have been approximately HK$472,154,000 and profit for the six months ended 30 June 2008 would have been approximately HK$73,236,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2008, nor is it intended to be a projection of future results.

12. Commitments

At the balance sheet date, the Group had the following commitments:

(a) Capital commitments for the acquisition of property, plant and equipment

	30/6/2008 HK$'000 (Unaudited)	31/12/2007 HK$'000 (Audited)
Contracted but not provided for	**255**	–

(b) Commitments for the development of new products and/or technologies

	30/6/2008 HK$'000 (Unaudited)	31/12/2007 HK$'000 (Audited)
Contracted but not provided for	**10,273**	10,941

(c) Commitments for acquisition of a subsidiary

	30/6/2008 HK$'000 (Unaudited)	31/12/2007 HK$'000 (Audited)
Contracted but not provided for	**–**	160,213

13. Pledge of Assets

At the balance sheet date, certain assets of the Group were pledged to secure banking facilities granted to the Group as follows:

	30/6/2008 HK$'000 (Unaudited)	31/12/2007 HK$'000 (Audited)
Property, plant and equipment	**41,892**	35,115
Investment properties	**11,089**	–
Bank balances and cash	**7,309**	639
Prepaid lease payments on land use rights	**16,836**	9,819
	77,126	45,573

BUSINESS REVIEW

Results

I am pleased to announce the unaudited results of the Vital Pharmaceutical Holdings Limited ("Company") and its subsidiaries (collectively the "Group") for the six months ended 30 June 2008 ("period under review" or "reporting period"). During the period under review, the consolidated sales turnover of the Group increased by 77% year-on-year to approximately HK$330 million from HK$186 million.

During the period under review, the profit attributable to equity holders of the Company increased by HK$34 million year-on-year basis to approximately HK$56.2 million (2007: HK$22.2 million). Since the completion on the acquisition of Sichuan Hengtai, the immediate direct effect had been benefited was significant synergies created in terms of financial performance, operation scale and corporate organization. The operation of Sichuan Hengtai had been consolidated in the reporting period, which enhancing the turnover and profits attributable to equity holders of the Company.

Product Sales

Our flagship product "Osteoform" has maintained a steady market share. Its sales turnover was approximately HK$294 million in the reporting period, which has contributed about 89% of the Group's sales turnover.

For the other house products: Depile Capsule, Fenofibrate Tablet, Aceclofenac Tablet and 2 antibiotic products developed by the Group, the sales turnover for the reporting period was around HK$7 million. It is slightly increased when compared to approximately HK$5.3 million for the corresponding period.

For the overseas agency products, the Group is trading products of Madaus GmbH, Germany. The Group has recorded sales of approximately HK$22.5 million in the reporting period. It had increased by 240% when compared to approximately HK$6.6 million for the corresponding period.

Selling Expenses

The selling and distribution expenses for the period under review were approximately HK$75.5 million, increased by about 18% when compared to approximately HK$63.8 million year-on-year. However, because of the synergies effect benefited by the acquisition of Sichuan Hengtai and cost savings, there has a sharp decrease in respect of selling and distribution expenses to sales turnover ratio. The selling and distribution expenses to sales turnover ratio for the reporting period was approximately 23%, whereas the ratios for the corresponding period and for the last whole year were around 34% and around 33% respectively.

The production base in Chengdu, Sichuan Province, China

Equipped with advanced production facilities and staffed with outstanding domestic experts, the highly effective drug manufacturing plant adopts innovative technology of drug production and manufactures drugs in accordance with the GMP standards. The plant produces principally the Group's flagship product "Osteoform", "Depile Capsule", "Clarithromycin Capsules", "Azithromycin Capsules", "Aceclofenac Tablets" and "Aotianping" ("Miglitol Tablets") etc. A Class 4 new drug to relieve hypersensitivity called "Aoshu" ("Loratadine Tablets") had been developed and launched in the market by the Group.

The production base in Wuhan, Hubei Province, China

Major production in the reporting period included "Vital Fast" – a slow release flu medication, "Opin" – a gynaecology biological drug, processing and packaging of Madaus GmbH products.

The pharmaceutical factory in Hong Kong, China

The pharmaceutical factory in Hong Kong, established with GMP standards. The trial production was completed at the end of 2007 and passed the annual inspection by Hong Kong Department of Health in June 2008. The factory becomes a processing platform for worldwide products.

Weiao (Chengdu) Pharmaceutical Co., Ltd. (維奧(成都)製藥有限公司)

The production facilities of the plant are now under maintenance and has not put into operation in the first half of 2008. Solution for injection related products are pending for approval.

Sichuan Hengtai Pharmaceutical

The company is principally engaged in the business of marketing, wholesaling and fulfillment of Chinese medicines, chemical drugs, antibiotics, biochemical medicines and blood products. The company is dedicated to establish itself into a world renowned and competent company in domestic market specializes in pharmaceutical products trading in Mainland China through co-operation with local and overseas strategic partners from both upstream and downstream businesses. A comprehensive sales network covering most parts of China has been in place, and a dedicated academic professional team has also been formed. The company has also formulated marketing strategies to facilitate its long term growth, ensuring a stable and sustainable growth of its sales performance.

Whilst keeping up its effort in penetrating the market network and enhancing service to end-users, in the midst of the year, the company had also geared up its initiatives in academic promotional campaigns in hospital. It had also formed collaborations in the OTC retail segment which had yielded considerably towards the enhancing in sales performance of both new and existing products. On the other hand, the company has laid down solid foundations in various local communities by forming its own local marketing teams to act as an effective channel for product promotion. In addition to being capable of serving the general public and consumers in an efficient and convenient manner, this strategy has enabled the image of the company and its products to root deeply and strongly among the public.

BUSINESS OUTLOOK

In the coming future, the Group will continue to expand its products portfolios, optimize products categories, expand sales and distribution network, and identify acquisition opportunities which can create synergy effects for the Group's existing business, with an aim to lay a solid foundation to implement our future strategies. We will concentrate our resources on domestic sales and marketing efforts in the PRC. The Group will provide packaging services to multi-national companies in the PRC in appropriate manner. By establishing an effective, fast and flexible marketing system to accommodate different needs of marketing solutions for different products, we will be able to deliver remarkable results to the Company and our Shareholders.

FINANCIAL REVIEW

Capital structure

As at 30 June 2008, the Company had in issue 1,551,056,993 ordinary shares (31 December 2007: 1,551,056,993 shares). During the first half of year 2008, no new shares were issued (Year 2007: issued 9,350,000 new ordinary shares).

The market capitalization of the Company as at 30 June 2008 was approximately HK$519 million (31 December 2007: approximately HK$558 million).

Liquidity and financial resources

As at 30 June 2008, the Group has bank loans of approximately HK$203 million (31 December 2007: approximately HK$115 million), without long-term portion (31 December 2007: Nil), with short-term portion of approximately HK$203 million (31 December 2007: approximately HK$115 million). Bank balances and cash amounted to approximately HK$91 million (31 December 2007: approximately HK$107 million), including pledged bank deposits of approximately HK$7.3 million (31 December 2007: approximately HK$0.6 million).

As at 30 June 2008, the Group has obtained banking facilities of approximately HK$319 million from banks in China. Unutilised banking facilities amounted to approximately HK$116 million. The average cost of financing was around 8% per annum. The Group has maintained sufficient financial resources for business operation purpose. The Group has no seasonality of borrowing requirement.

The Group adopts a conservative funding and treasury policies and objectives. As at 30 June 2008, bank borrowings amounting to HK$129 million are denominated in Hong Kong dollars and amounting to HK$74 million are denominated in RMB and are fully repayable by 30 June 2009, with 75% at fixed rates of interest ranging from 5.35% to 8.96% per annum, and the rest are at floating rates of interest at Hong Kong Interbank Offered Rate plus 4.4% per annum. In relation to cash and bank balances amounting to approximately HK$91 million, approximately 59% of which was denominated in RMB, approximately 36% was denominated in Hong Kong dollar and approximately 5% was denominated in other currencies.

Exposure to foreign exchange risk and Currency policy

The sales receipts of the Group were mainly denominated in RMB. Purchases were denominated as to approximately 57% in USD, 21% in RMB and 22% in EURO. Operating expenditures including selling and distribution expenses and administrative expenses were denominated as to approximately 80% in RMB, others are in HKD, AUD, USD and Macau Pataca, etc. For the reporting period, the Group did not enter into any forward contracts, interest or currency swaps, or other financial derivatives for hedging purpose. During the reporting period, the Group did not experience any material difficulty or negative effect on its operations or liquidity as a result of fluctuations on currency exchange rates.

Contingent liabilities

As at 30 June 2008, the Group had no material contingent liabilities (2007: Nil).

Material acquisition

On 6 November 2007, the Group and the shareholders of Sichuan Hengtai Pharmaceutical Company Limited ("Sichuan Hengtai") entered into an agreement in relation to the acquisition of the entire equity interest of Sichuan Hengtai, at a consideration of RMB200,000,000, details of which have been disclosed in the announcement dated 12

November 2007, and circular dated 30 November 2007. The acquisition was approved by the shareholders of the Company at the extraordinary general meeting on 20 December 2007. Relevant consents and approvals from the PRC government authorities had been obtained and the acquisition had been completed.

Key financial figures and ratios

During the reporting period, most of the P&L ratios were improved as compared to the year 2007. Improvements were shown in Profit attributable to equity holders of the Company to Turnover ratio and EBITDA to Turnover ratios. The gross profit margin after selling and distribution expense was also improved, whereas the gross profit margin had been slightly dropped to 60% due to the rising of manufacturing cost.

	6 months ended 30 June		12 months
Profit and loss item:	**2008**	2007	2007
Turnover (HK$' million)	**329.6**	186.3	507.5
Gross profit margin	**60%**	66%	64%
Selling and distribution expenses (HK$' million)	**75.5**	63.8	168.8
Gross profit margin after selling and distribution expense	**36.8%**	32.1%	30.7%
Profit attributable to equity holders of the Company/Turnover	**17%**	12%	10%
EBITDA (HK$' million)	**87.7**	43.8	100.7
EBITDA/Turnover	**26.6%**	23.5%	19.8%

Balance sheet item:

As of 30 June 2008, increased bank borrowing boosted gross debt equity ratio (Borrowing/Net tangible assets) to around 45.9%. Since the mode of operation in sales and manufacturing cycle had been changed, a higher level of stock is maintained, inventory average turnover day were longer than that at 31 December 2007.

Balance sheet item:	**As at 30 June 2008 HK$' million**	As at 31 December 2007 HK$' million
Short-term bank loans	**203.2**	115.1
Long-term bank loans	**0**	0
Bank balances and cash	**91.4**	107.1
Bank loans net of bank balances and cash	**111.8**	8.0
Net tangible assets	**442.5**	468.9
Debt equity ratio (gross)	**45.9%**	24.5%
Debt equity ratio (net)	**25.2%**	1.7%
Average trade receivable turnover day	**69 days**	96 days
Average inventory turnover day	**174 days**	169 days

As of 30 June 2008, the Group had approximately HK$7.3 million bank balances and cash, HK$16.8 million prepaid lease payment on land use rights, HK$41.9 million property, plant and equipment, and HK$11.1 million investment properties were pledged as collateral to banks. For the 6 months ended 30 June 2008, return on equity was on average of approximately 10%.

EMPLOYEE INFORMATION

As at 30 June 2008, the Group had 1,568 employees, comprising 10 in research and development, 243 in production, 1,106 in sales, and 209 in general administration and finance. 1,535 of these employees were located in China, and 33 in Hong Kong and Macau.

The policy of employee remuneration, bonus, share option scheme and training are commensurate with performance and comparable to market rate. The Group encourages employees to participate in external training programmes to develop themselves on a continuous basis, so as to improve staff quality to meet future challenges and gain a competitive edge. Total staff costs (including director emolument and share base payment) for the reporting period amounted to approximately HK$39 million.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

DIVIDEND

The Board would not recommend the payment of an interim dividend.

REVIEW OF INTERIM RESULTS

The unaudited interim financial report of the Group for the six months ended 30 June 2008 have been reviewed by the Company's audit committee and auditors, SHINEWING (HK) CPA Limited.

AUDIT COMMITTEE

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the group audit. It also reviews the effectiveness of the external and internal audit, internal controls and risk evaluation.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters with the management. The Group's financial statements for the six months ended 30 June 2008 have been reviewed and adopted by the Audit Committee, who is of the opinion that such statements comply with the applicable accounting standards, and the Listing Rules and legal requirements, and that adequate disclosures have been made. The Audit Committee comprises three independent non-executive directors of the Company, namely, Mr. Lui Tin Nang (Audit Committee chairman), Mr. Lee Kwong Yiu and Mr. Chong Cha Hwa.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three independent non-executive directors, the chairman and an executive director of the Company, is responsible for reviewing and evaluating the remuneration packages of the executive directors and senior management and making recommendations to the board of directors from time to time.

MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the principle standards of securities transactions for directors of the Company. All directors have confirmed, following specific enquiry by the Company that they have complied with the required standard set out in the Model Code during the period.

CORPORATE GOVERNANCE

The Company is in compliance with all the code provisions as set out in the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules throughout the six months period ended 30 June 2008.

The Board as at the date of this announcement comprises six executive directors: Mr. Tao Lung, Mr. Huang Jianming, Mr. Shen Songqing, Mr. Liu James Jin, Mr. Xu Xiaofan and Madam Guo Lin, and three independent non-executive directors: Mr. Lui Tin Nang, Mr. Lee Kwong Yiu and Mr. Chong Cha Hwa.

On behalf of the Board
TAO Lung
Chairman

Hong Kong, 22 September 2008