利君國際醫藥(控股)有限公司

Lijun International Pharmaceutical (Holding) Co., Ltd.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2005)

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

On behalf of the board (the "Board") of directors (the "Directors") of Lijun International Pharmaceutical (Holding) Co., Ltd. (the "Company"), I am pleased to present the interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2008.

1. RESULTS AND DIVIDEND PAYMENT

During the period, there was a fairly significant growth in the Group's sales income, profit before income tax and profit attributable to equity holders as compared to the corresponding period last year, among which the Group's sales income recorded HK$846,335,000 for the period, representing an increase of 85.3% as compared to the corresponding period last year. The Group achieved a profit before income tax of HK$131,777,000, representing an increase of 112.5% as compared to the corresponding period last year, and a profit attributable to equity holders for the period of HK$116,390,000, representing an increase of 123.0% as compared to the corresponding period last year.

The Board proposed an interim dividend of HK$0.006 per share, representing approximately HK$12,162,000.

2. BUSINESS REVIEW

During the period, the macro economic environment of China was complex and changing quickly. The prices of energy fuel, raw materials and supplementary materials have been increasing sharply due to inflation. To address the severely competitive market, the Group took advantage of the State's medical system reform, the growth in the size of the domestic pharmaceutical market and the recovery of the industry, utilized the synergy from the acquisition of Shijiazhuang No. 4 Pharmaceutical Co., Ltd. ("Shijiazhuang No. 4 Pharma") and took various measures and made great effort, and thus achieved significant increase in the sales income, profit before income tax and profit attributable to equity holders for the period.

	For the six months ended 30 June				
	2008		2007		
		Percentage		Percentage	
	Sales	**of sales**	Sales	of sales	Change
	HK$'000	***%***	*HK$'000*	*%*	*%*
Antibiotics					
– Lijunsha	**265,194**	**31.3**	222,227	48.7	19.3
– Paiqi	**55,125**	**6.5**	46,558	10.2	18.4
– Other antibiotics finished medicines	**100,042**	**11.8**	59,386	13.0	68.5
Total sales of antibiotics	**420,361**	**49.6**	328,171	71.9	28.1
Intravenous Infusion Solution	**249,298**	**29.5**	–	–	–
Non-antibiotics finished medicines	**103,670**	**12.2**	87,520	19.1	18.5
Sales of bulk pharmaceuticals	**43,673**	**5.2**	40,225	8.8	8.6
Others	**29,333**	**3.5**	840	0.2	3,392.0
Group's total sales	**846,335**	**100**	456,756	100	85.3

(1) Growth in sales of core products

First, the sales of highly competitive product Lijunsha amounted to HK$265,194,000 for the period, representing a growth of 19.3% as compared to the corresponding period last year. In particular, the sales of Lijunsha granules, which are popular in the pediatric market, increased by 36.1% for the period as compared to the corresponding period last year, amounting to HK$36,483,000.

Second, Shijiazhuang No. 4 Pharma stepped into a new phase of rapid growth at the completion of another two production lines. The sales income and profit before income tax of Shijiazhuang No.4 Pharma increased significantly by 46.1% and 87.2% respectively for the period as compared to the corresponding period last year. While retaining its production and marketing prominence in basic and therapeutic infusion products, Shijiazhuang No. 4 Pharma further optimized its product portfolio in light of the initial scale of a new product series including Amino Acid Infusions, Rinsing Physiological Saline Solutions and Pediatric Infusion Solutions and so on. The Group kept expanding its soft-package infusion products market share amongst the country's large and medium-sized hospitals, and thus further consolidated its medium-to-high end market positioning. The sales volumes of PP Plastic Bottle and Non-PVC Soft Bag increased by 49.0% and 150.0% respectively as compared to the corresponding period last year.

Third, as a result of the State's efforts to gradually establish new rural medical systems and the improvement of medical systems in urban communities, the sales of large-scale branded preparations and large-scale basic medicines saw relatively fast growth. The sales of Dobesilate and Lixiding increased by 43.0% and 51.0% respectively as compared to the corresponding period last year. The sales of Cephalosporin Antibiotics increased by 16.0% as compared to the corresponding period last year. The sales of Paiqi series increased by 18.0% as compared to the corresponding period last year. Both sales of general medicines and collection of payments increased as compared to the corresponding period last year. In addition, export of bulk pharmaceuticals increased by 39.6% as compared to the corresponding period last year.

Fourth, the Group just began to kick off its OTC and health care product lines. The Group completed the process of contacting distributors for the product of Lijungai, which enjoyed a sound market image as "a calcium product with dual technology of nano chelate – for its absorption-friendly nature". During the period, the sales of OTC pharmaceutical products and healthcare products of the Group for the period increased by nearly 3 times as compared to the corresponding period last year.

(2) Major technological upgrading projects progressed well

First, the Group has introduced from abroad a high-standard modern production line for soft capsules and oral solutions. The production line has completed, and undertaken its pilot operation. In the second half of the year, the Group will launch Shengtai oral solutions and Zijin soft capsule on the market.

Second, the main structure of the Group's Innovative Preparation Building (application has been filed to make it the research center for innovative preparation engineering technologies of Shaanxi Province) in Xi'an has been completed.

Third, the R&D center, pilot production lines and animal experiment center in Shijiazhuang have been completed successfully. The pilot production lines have entered into the debug phase. The annual output of PP Plastic Bottle will reach 150 million once Phase I comes into operation, further strengthening the Group's leading position in the field of soft-packed infusion solutions in China.

(3) The development and industrialized production of new products accelerated

During the period, the Group has obtained production approval for Lijun Zijin soft capsule, which is featured as an "immunity enhancing and spot removing" product with dual efficacy. The Group has also acquired production approvals for both Duanxueliu soft capsules and Azithromycin Suspension, with the latter targeting the pediatric market as a new member of Paiqi series. Moreover, after being approved, the following products, including Gliclazide II, Ambroxol Hydrochloride Orally Disintegrating Tablets and Sodium Chloride Physiological Solutions, have been produced and distributed into markets. The trial production of three new products consisting of Ganciclovir Lyophilized Powder for Injection, Diammonium Glycyrrhizinate Injection and Cefepime Hydrochloride Powder for Injection is completed. They are expected to be distributed into markets in the second half year.

3. DEVELOPMENT OUTLOOK

Looking into the second half of 2008, the Group will continue to take the opportunities of China's pharmaceutical market recovery, with synergy of both scale and branding effect of the Group to further expand the market.

(1) To ensure steady growth of existing antibiotics products

In the second half of the year, the Group will take corresponding measures to integrate the market of Lijunsha. The Group will reinforce advertisement and propaganda efforts among sub-dealers, end users, urban communities and rural areas so as to maintain steady increase in sales volume. Meanwhile, the Group will carefully plan a second development of Lijunsha. In light of Lijunsha capsule's advantage as an exclusive drug form in China and its high bioavailability, the Group will address both markets of hospitals and drugstores in a brand new pattern with efforts to boost its sales. The Group will improve the taste and packaging of Lijunsha granules, and launch its new specifically-designed-for-children version whilst taking advantage of its mounting sales momentum so as to maintain a rapid growth. The Group will strengthen the research and development of the pediatric market in relation to Paiqi series' new member, i.e. Azithromycin Suspension. The Group will speed up the launch of new product series of Cephalosporin Antibiotics and Cefepime, to generate a new growth point for the second half year and next year.

(2) Fast growth of intravenous infusion segment

The results of the Group's new PP Plastic Bottle production line will be reflected in the second half year. Whilst sustaining its fast growing momentum of intravenous infusions, the Group will further expand its market shares in regard to therapeutic infusion solutions and soft-packed infusions (including PP Plastic Bottle and Non-PVC Soft Bag). The Group will strengthen its promotion of new products such as Fluconazole Infusions (Tablets), Dextran Infusions, Amino Acid Infusions, Ozagrel and Sodium Chloride Injections and so on, so as to form a new driving force. On the other hand, international intravenous infusions market is yet to develop by way of more overseas registrations especially on pediatric infusion products, and widened export channels to keep a healthy momentum of foreign trade.

(3) To achieve breakthrough in sales volume of OTC and healthcare products

In the second half of the year, the Group will take advantage of the strong sales momentum of prescription Dobesilate to make an elaborate marketing plan for OTC Dobesilate, forming a new pivot for the Group's future profit. The Group employs consultants from marketing and sales professionals association for marketing campaigns of new OTC and healthcare products including Lijungai, Zijin soft capsules, and Shengtai oral solutions. On condition of high standards and strict screening and selection process, the Group will establish and frequently educate or train a solid team of young talents with high calibers for marketing of OTC and healthcare products. By way of carpet promotion and innovative propaganda, the Group strives to make breakthroughs on the following new products, with special selling point, such as Ambroxol Hydrochloride Orally Disintegrating Tablets, Lijungai, Zijin soft capsules, and Shengtai oral solutions.

It is expected that the Group's two pivots including Macrolide Antibiotics and Intravenous Infusions will enjoy continuous growth with popularization of the State's medical insurances, expansion of market size and recovery of China's pharmaceutical industry. The subsequent launch of production lines for modern oral solutions, modern soft capsules and new PP Plastic Bottle infusions, as well as the circulation of a new series of OTC and healthcare products, will all contribute as highlights to the Group's future development and growth. By utilizing its nationwide branding and network advantages, the Group will strive for higher returns for its investors and shareholders.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF INCOME

(All amounts in HK$ thousands unless otherwise stated)

		Six months ended 30 June	
		2008	2007
	Note	**Unaudited**	Unaudited
Revenue	*3*	**846,335**	456,756
Cost of sales	*7*	**(441,466)**	(228,463)
Gross profit		**404,869**	228,293
Other gains – net	*3*	**11,869**	21,931
Selling and marketing costs	*7*	**(183,630)**	(118,990)
General and administrative expenses	*7*	**(83,905)**	(63,410)
Operating profit		**149,203**	67,824
Finance income		**6,788**	1,355
Finance costs		**(24,214)**	(7,176)
Finance costs – net		**(17,426)**	(5,821)
Profit before income tax		**131,777**	62,003
Income tax expenses	*8*	**(15,390)**	(9,802)
Profit for the half year		**116,387**	52,201
Attributable to:			
– Equity holders of the Company		**116,390**	52,201
– Minority interest		**(3)**	–
		116,387	52,201
Dividend	*9*	**12,162**	20,074
Earnings per share for profit attributable to the equity holders of the Company *(expressed in HK$ per share)*			
– Basic	*10*	**0.0574**	0.0358
– Diluted	*10*	**0.0567**	0.0323

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

(All amounts in HK$ thousands unless otherwise stated)

	Note	**30 June 2008 Unaudited**	31 December 2007 Audited
ASSETS			
Non-current assets			
Land use rights		**67,313**	68,032
Property, plant and equipment		**732,258**	719,605
Intangible assets		**583,881**	550,073
Deferred income tax assets		**12,582**	13,553
Available-for-sale financial assets		**147**	4,303
Other non-current assets		**1,024**	–
Total non-current assets		**1,397,205**	1,355,566
Current assets			
Inventories		**212,844**	190,403
Trade and bills receivables	*4*	**396,858**	330,806
Financial assets at fair value through profit or loss		**1,160**	493
Prepayments, deposits and other receivables		**151,535**	53,616
Restricted cash		**14,262**	42,976
Cash and cash equivalents		**127,134**	98,983
Total current assets		**903,793**	717,277
Total assets		**2,300,998**	2,072,843
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**40,540**	40,393
Reserves	*5*	**1,346,845**	1,154,904
		1,387,385	1,195,297
Minority interest		**849**	800
Total equity		**1,388,234**	1,196,097

	Note	**30 June 2008 Unaudited**	31 December 2007 Audited
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings		**61,437**	90,519
Long-term payables		**17,125**	17,649
Convertible bonds	*11*	**163,256**	151,135
Deferred income tax liabilities	*11*	**43,343**	41,999
Total non-current liabilities		**285,161**	301,302
Current liabilities			
Trade and bills payables	*6*	**142,202**	137,933
Deposits and advance receipts from customers		**23,571**	23,367
Accruals and other payables		**79,223**	104,428
Income tax payable		**27,134**	22,366
Short-term bank borrowings		**280,236**	253,840
Current portion of long-term bank borrowings		**70,625**	28,500
Current portion of long-term payables		**4,612**	5,010
Total current liabilities		**627,603**	575,444
Total liabilities		**912,764**	876,746
Total equity and liabilities		**2,300,998**	2,072,843
Net current assets		**276,190**	141,833
Total assets less current liabilities		**1,673,395**	1,497,399

SELECTED NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in HK$ thousands unless otherwise stated)

1 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2008 has been prepared in accordance with HKAS 34, "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2007, which have been prepared in accordance with HKFRSs.

2 Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2007, as described therein.

The presentation currency has been changed from Chinese Renminbi to Hong Kong Dollars effective from 1 January 2008, considering the Company is listed in Hong Kong.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2008 but are not currently relevant for the Group.

- HK(IFRIC) – Int 11, "HKFRS 2 – Group and treasury share transactions"
- HK(IFRIC) – Int 12, "Service concession arrangements"
- HK(IFRIC) – Int 14, "HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction"

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2008 and have not been early adopted:

- HKFRS 8 "Operating Segments", effective for annual periods beginning on or after 1 January 2009. HKFRS 8 replaces HKAS 14 "Segment Reporting", and requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 January 2009.
- HKAS 23 (amendment) "Borrowing Costs", effective for annual periods beginning on or after 1 January 2009. The Group will apply HKAS 23 (amendment) from 1 January 2009. Management does not anticipate any material impact on the Group's accounts as the Group has already followed the principles of capitalising borrowing costs relating to qualify assets in accordance with the existing HKAS 23.

- HKFRS 2 (amendment) "Share-based Payment", effective for annual periods beginning on or after 1 January 2009. The amendment clarifies the definition of "vesting conditions" and specifies the accounting treatment of "cancellations" by the counterparty to a share-based payment arrangement. Vesting conditions are service conditions (which require a counterparty to complete a specified period of service) and performance conditions (which require a specified period of service and specified performance targets to be met) only. All "non-vesting conditions" and vesting conditions that are market conditions shall be taken into account when estimating the fair value of the equity instruments granted. All cancellations are accounted for as an acceleration of vesting and the amount that would otherwise have been recognised over the remainder of the vesting period is recognised immediately. The Group will apply HKFRS 2 (amendment) from 1 January 2009.

- HKFRS 3 (revised) "Business Combinations" and consequential amendments to HKAS 27 "Consolidated and Separate Financial Statements", HKAS 28 "Investments in Associates" and HKAS 31 "Interests in Joint Ventures", effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The Group will apply those standards from 1 January 2010.

- HKAS 1 (revised) "Presentation of Financial Statements", effective for annual periods beginning on or after 1 January 2009. It requires certain new presentation of the financial statements. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other standards. Management will adopt the revised disclosure requirements of this standard from 1 January 2009.

- HKAS 32 (amendment) "Financial Instruments: Presentation", and consequential amendments to HKAS 1 "Presentation of Financial Statements", effective for annual periods beginning on or after 1 January 2009. The amendment requires some puttable financial instruments and some financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity. This is not relevant to the Group as the Group does not have any puttable instruments.

- HK(IFRIC) – Int 13 "Customer Loyalty Programmes", effective for annual periods beginning on or after 1 July 2008. This interpretation is not relevant to the Group's operations because none of the Group's companies operate any loyalty programmes.

3 Segment information, revenue and other gains – net

The Group has one business segment – manufacturing and sale of finished medicines and bulk pharmaceuticals. It operates principally in one geographical segment – the PRC. Substantially all of the Group's assets were located in the PRC. Accordingly, no analysis of segment information is presented.

	Six months ended 30 June	
	2008	2007
	Unaudited	Unaudited
Sales:		
– Sales of pharmaceutical products	**844,448**	456,419
– Processing income	**377**	186
– Sales of raw materials and by products	**1,510**	151
	846,335	456,756
Other gains – net:		
– Gain on disposal of a subsidiary	**8,420**	–
– Gain on disposal of available-for-sale financial assets	**93**	–
– Gain on disposal of financial assets at fair value through profit	**763**	15,489
– Change in fair value of financial assets at fair value through profit or loss	**(993)**	–
– Subsidy income	**1,487**	–
– Gain on disposal of property, plant and equipment	**2,099**	–
– Others	**–**	6,442
	11,869	21,931

4 Trade and bills receivables

The Group generally required its customers to settle sales invoices within 3 months. Ageing analysis of trade and bills receivables is as follows:

	As at	
	30 June 2008	31 December 2007
	Unaudited	Audited
Within 3 months	**335,236**	265,274
4 to 6 months	**36,037**	47,206
7 to 12 months	**29,401**	22,885
1 to 2 years	**3,929**	4,086
2 to 3 years	**2,074**	630
More than 3 years	**26**	1,472
	406,703	341,553
Less: provision for impairment of receivables	**(9,845)**	(10,747)
	396,858	330,806

5 Reserves

	Share premium	Capital reserve (*Note a*)	Equity component of convertible bonds (*Note 11*)	Statutory reserves (*Note b*)	Currency translation difference	Retained earnings	Total
				Unaudited			
At 1 January 2008	688,092	165,067	8,840	94,880	856	197,169	1,154,904
Profit for the period	–	–	–	–	–	116,390	116,390
Dividends	–	–	–	–	–	(12,162)	(12,162)
Issue of shares upon conversion of convertible bonds *(Note 11)*	6,544	–	(763)	–	–	–	5,781
Currency translation differences	–	–	–	–	81,932	–	81,932
At 30 June 2008	694,636	165,067	8,077	94,880	82,788	301,397	1,346,845
At 1 January 2007	120,676	156,164	–	70,659	(2,640)	125,035	469,894
Profit for the period	–	–	–	–	–	52,201	52,201
Dividends	–	–	–	–	–	(20,335)	(20,335)
Equity component of convertible bonds *(Note 11)*	–	–	9,274	–	–	–	9,274
Dilution of minority interest of a subsidiary	–	(688)	–	–	–	–	(688)
Issue of shares	522,500	–	–	–	–	–	522,500
Currency translation differences	–	–	–	–	16,276	–	16,276
At 30 June 2007	643,176	155,476	9,274	70,659	13,636	156,901	1,049,122

(a) Capital reserve

Capital reserve of the Company includes the difference between the Company's 80% share in paid-up capital of Xi'an Lijun Pharmaceutical Co., Ltd. and the nominal value of the share capital issued by the Company to acquire such an interest during a group reorganisation.

(b) ***Statutory reserves***

In accordance with the PRC regulations and the Articles of the Association of the Group's subsidiaries established in the PRC, each of the Group's subsidiaries in the PRC is required to set aside 10% of its statutory net profit for the year after offsetting any prior years' accumulative losses as determined under the PRC accounting regulations to the statutory surplus reserve fund before distributing their net profit. When the balance of such reserve reaches 50% of each PRC subsidiary's share capital, any further appropriation is optional. The statutory surplus reserve fund can be utilised to offset prior years' losses or to issue bonus shares. However, such statutory surplus reserve fund must be maintained at a minimum of 25% of the PRC subsidiary's share capital after such issuance.

6 Trade and bills payables

Ageing analysis of trade and bills payables is as follows:

	As at	
	30 June 2008 Unaudited	31 December 2007 Audited
Within 3 months	**114,229**	98,344
4 to 6 months	**10,688**	21,272
7 to 12 months	**8,585**	5,068
1 to 3 years	**6,595**	11,352
More than 3 years	**2,105**	1,897
	142,202	137,933

7 Expense by nature

	Six months ended 30 June	
	2008	2007
	Unaudited	Unaudited
Raw materials and consumables used	**337,917**	171,844
Changes in inventories of finished goods and work in progress	**6,018**	(9,784)
Staff costs including directors' emoluments	**103,097**	51,018
Sales commission	**77,530**	57,443
Utility expenses	**36,519**	22,158
Advertising expenses	**34,138**	25,068
Depreciation of property, plant and equipment	**27,352**	15,679
Write-down of inventories	**4,144**	1,900
Operating leases rental expenses in respect of land use right in the PRC	**3,033**	2,811
Provision for impairment of receivables	**2,208**	318
Amortisation of intangible assets (general and administrative expenses)	**1,912**	465
Auditor's remuneration	**1,178**	1,117
Research and development costs	**1,083**	2,586
Amortisation of land use rights (general and administrative expenses)	**810**	–
Others	**72,062**	68,240
	709,001	410,863

8 Income taxes

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of the Cayman Islands and, accordingly, is exempted from payment of the Cayman Islands income tax.

No Hong Kong profits tax was provided for as the Group had no assessable profit in Hong Kong for the six months ended 30 June 2008 (2007: Nil).

In May 2005, the PRC Enterprise Income Tax ("EIT") rate of Xi'an Lijun Pharmaceutical Co., Ltd. and Shijiazhuang No.4 Pharmaceutical Co., Ltd. have been approved to be 24%, which was effective from 1 January 2005. Being incorporated as foreign investment enterprise in PRC, Xi'an Lijun Pharmaceutical Co., Ltd. and Shijiazhuang No.4 Pharmaceutical Co., Ltd. have obtained approvals from the relevant tax authorities in Shaanxi and Hebei provinces, which are also effective from 2005, for their entitlement to exemption from EIT for the first two years and 50% reduction in EIT for the next three years, commencing from the first profitable year after offsetting all unexpired tax losses carried forward from the previous years in accordance with the relevant tax rules and regulations applicable to foreign investment enterprises in PRC. These two subsidiaries began their tax concessions in 2005.

In March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"), which will be effective from 1 January 2008. According to the new CIT Law, the PRC income tax for both domestic and foreign investment enterprises will be unified at 25% effective from 1 January 2008. There will be a transition period for enterprises that currently receive preferential tax treatments granted by relevant tax authorities. Enterprises that are subject to a PRC income tax rate lower than 25% may continue to enjoy the lower PRC income tax rate and gradually transfer to the new PRC income tax rate within five years after the effective date of the new CIT Law. Enterprises that are currently entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires. Therefore, the average annual tax rate used for 2008 is 12.5%.

	Six months ended 30 June	
	2008	2007
	Unaudited	Unaudited
Current income tax	**14,774**	8,974
Deferred income tax	**616**	828
	15,390	9,802

9 Dividend

	Six months ended 30 June	
	2008	2007
	Unaudited	Unaudited
Interim dividend, declared, of HK0.6 cent (2007: HK1.0 cent) per ordinary share	**12,162**	20,074

At a meeting held on 16 September 2008, the Company's Board of Directors declared a dividend of HK0.6 cent per ordinary share in respect of the six months ended 30 June 2008. The dividend declared has not been reflected as a dividend payable in this condensed consolidated financial information, but will be reflected as an appropriation of retained earnings during the year ending 31 December 2008 upon payment.

10 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company of approximately HK$116,390,000 (2007: HK$52,201,000) by the weighted average number of 2,026,677,000 (2007: 1,458,577,000) ordinary shares in issue during the period.

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only one category of dilutive potential ordinary shares: convertible bonds. The convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense.

	Six months ended 30 June	
	2008	2007
	Unaudited	Unaudited
Profit attributable to equity holders of the Company	**116,390**	52,201
Interest expense on convertible bonds	**8,143**	1,171
Adjusted profit attributable to equity holders of the Company	**124,533**	53,372
Weighted average number of ordinary shares in issue (thousands)	**2,026,677**	1,458,577
Adjustments for assumed conversion of convertible bonds (thousands)	**171,523**	196,027
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**2,198,200**	1,654,604
Diluted earnings per share (HK$ per share)	**0.0567**	0.0323

11 Convertible bonds

In May 2007, the Company issued zero-coupon convertible bonds, due on 30 May 2010 (the "maturity date"), in the aggregate principal amount of RMB160,000,000. This bonds have an initial conversion price of HK$4.15 per ordinary share at a fixed exchange rate of HK$1 to RMB0.98339, which was adjusted to HK$0.83 on 28 August 2007 after the share sub-division. Unless previously redeemed, converted or purchased and cancelled as provided in the terms and conditions of the convertible bonds, the Company has to redeem the convertible bonds at 121.1547% of their principal amount on the maturity date, and such redemption has to be settled in Hong Kong Dollars at the exchange rate at that date.

The fair value of the liability component of the convertible bonds at 30 June 2008 amounted to approximately HK$161,211,000. The fair value is calculated using cash flows discounted at a rate on the borrowing rate of 6.03% per annum.

	Unaudited
Initial recognition:	
– Face value of convertible bond issued	163,549
– Equity conversion component, net of deferred tax liability	(9,274)
– Deferred income tax liabilities	(1,967)
– Issuing expenditure	(2,175)
Liability component at 30 May 2007	150,133
Interest expense	1,171
Exchange differences	619
Liability component at 30 June 2007	151,923
Liability component at 1 January 2008	151,135
Interest expense	8,143
Recognition of deferred income tax liability	162
Converted into ordinary shares	(5,928)
Exchange differences	9,744
Liability component at 30 June 2008	163,256

The carrying amount of the liability component of the convertible bond reflects its current fair value.

Interest on the bond is calculated on the effective yield basis by applying the effective interest rate for an equivalent non-convertible bond to the liability component of the convertible bond.

12 Event after the balance sheet date

In August 2008, the Company granted share options to certain Directors and employees to subscribe 100,000,000 shares at an exercise price of HK$0.7 per share, exercisable on or before 6 August 2011. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

LIQUIDITY AND FINANCIAL RESOURCES

The Group primarily finances its working capital and other capital requirements by net cash generated from operating activities and resorts to external financing including both long-term and short-term bank borrowings from time to time in case the operating cash flow is insufficient to meet the capital requirements.

As at 30 June 2008, the cash and cash equivalents aggregated to HK$127,134,000 (31 December 2007: HK$98,983,000), comprising HK$28,026,000 (31 December 2007: HK$13,698,000) of cash and cash equivalents denominated in Hong Kong dollars, HK$98,796,000 (31 December 2007: HK$83,989,000) in RMB and HK$312,000 (31 December 2007: HK$1,296,000) in other currencies.

As at 30 June 2008, the Group has restricted deposits amounting to HK$14,262,000 (31 December 2007: HK$42,976,000) as guarantee of the bank borrowings, letter of credits and bank acceptances.

The carrying amounts of the borrowings (including convertible bonds) amounting to HK$575,554,000 (31 December 2007: HK$523,994,000) as at 30 June 2008, comprising HK$145,000,000 (31 December 2007: HK$133,000,000) of borrowings denominated in Hong Kong dollars and HK$430,554,000 (31 December 2007: HK$390,994,000) in RMB.

Gearing ratio (defined as total liabilities divided by total assets) decreased from 42.3% as at 31 December 2007 to 39.7% as at 30 June 2008.

Current ratio (defined as current assets divided by current liabilities) increased from 1.25 as at 31 December 2007 to 1.44 as at 30 June 2008.

FOREIGN EXCHANGE RISK

Majority of the Group's businesses are operated in the PRC and are denominated in RMB and HK dollar. The Group is of the opinion that its exposure to foreign exchange rate risk is limited.

PLEDGE OF ASSETS

As at 30 June 2008, the Group's restricted deposits of HK$8,488,000 and land use rights, property & plant and machinery & equipment with the net book amount of approximately HK$56,696,000, HK$69,887,000 and HK$62,510,000 respectively were pledged as collateral for the Group's bank borrowings, letter of credits and bank acceptances.

CONTINGENT LIABILITIES

As at 30 June 2008, the Group did not have any material contingent liabilities.

INTERIM DIVIDEND

The Directors resolved to pay on 3 November 2008 an interim dividend of HK$0.006 per share (amounting to a total of approximately HK$12,162,000) for the six months ended 30 June 2008 to the shareholders named in the register of members of the Company on 10 October 2008. The interim dividend represents a payout rate of 10.4% of net profit attributable to the equity holders of the Company for the six months ended 30 June 2008.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its Shares during the period. Save as the allotment and issuance of 7,351,016 shares of the Company in total due to conversion of convertible bonds issued on 30 May 2007, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities for the six months ended 30 June 2008.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES AND MODEL CODE

The Company has complied with the requirements of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules during the period.

The Company has adopted the Model Code as the code for securities transactions by Directors. The Company, having made specific enquiry, confirms that all directors have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2008.

INDEPENDENT REVIEW OF AUDITORS

The Interim Financial Information for the six months ended 30 June 2008 has been reviewed by the auditors of the Company, PricewaterhouseCoopers, 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.

AUDIT COMMITTEE

The Audit Committee has reviewed and approved the Interim Financial Information for the six months ended 30 June 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 8 October, 2008 to Friday, 10 October, 2008 (both day inclusive) during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer documents, accompanied by the relevant share certificate(s), must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 6 October, 2008 (7 October 2008 is public holiday).

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The 2008 interim report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the Stock Exchange's website (www.hkex.com.hk) and the Company's website (www.lijun.com.hk) in due course.

MEMBERS OF THE BOARD

As at the date of this announcement, the Board comprises Mr. Wu Qin, Mr. Qu Jiguang, Mr. Huang Chao, Mr. Xie Yunfeng, Ms. Sun Xinglai, Mr. Wang Xianjun, Mr. Duan Wei, Mr. Wang Zhizhong, Ms. Zhang Guifu and Mr. Bao Leyuan as executive Directors, Mr. Liu Zhiyong as non-executive Director, and Mr. Wang Yibing, Mr. Leung Chong Shun and Mr. Chow Kwok Wai as independent non-executive Directors.

On behalf of the Board, I hereby express our sincere gratitude to our employees and investors for their dedicated support.

On behalf of the Board
Wu Qin
Chairman

Hong Kong, 16 September 2008