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## **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 2010**

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 2010.

#### **1. RESULTS AND DIVIDEND PAYMENT**

Throughout this year, the pharmaceutical market continued to demonstrate an intensified industry competition momentum. The Group achieved satisfactory results in its operation through such measures in optimizing product and sales structure, expanding market share, enhancing technological advancement and focusing on cost control. In the first half year, the Group achieved sales income of HK\$988,814,000, increased by 14.1% as compared with the corresponding period of last year, among which, HK\$611,628,000 was from Xi’an Lijun Pharmaceutical Co., Ltd. (“Xi’an Lijun”), increased by 12.0% as compared with the corresponding period of last year, and HK\$377,186,000 was from Shijiazhuang No. 4 Pharmaceutical Co., Ltd., (“Shijiazhuang No. 4 Pharma”), increased by 17.8% as compared with the corresponding period of last year. The Group achieved profit attributable to equity holders of HK\$140,278,000, increased by 25.0% as compared with the corresponding period of last year, among which, Xi’an Lijun was HK\$67,282,000, increased by 21.0% as compared with the corresponding period of last year, and Shijiazhuang No. 4 Pharma was HK\$87,857,000, increased by 32.4% as compared with the corresponding period of last year.

The Board proposed a distribution of dividends of HK\$0.02 per share for the first half year, amounting HK\$47,098,000 in aggregate.

## 2. REVIEW OF OPERATING RESULTS

|  | For the six months ended 30 June |                   |                       |                   |                    |
|--|----------------------------------|-------------------|-----------------------|-------------------|--------------------|
|  | 2010                             |                   | 2009                  |                   | Change<br>%        |
|  | Sales                            | Percentage        | Sales                 | Percentage        |                    |
|  | <i>HK\$'000</i>                  | of sales<br>%     | <i>HK\$'000</i>       | of sales<br>%     |                    |
|  |                                  |                   |                       |                   |                    |
| Intravenous Infusion Solution  | <b>377,186</b>                   | <b>38.1</b>       | 320,173               | 37.0              | 17.8               |
| (Including: PP Plastic Bottle<br>Infusion Solution<br>Non-PVC Soft Bag<br>Infusion Solution) | <b>147,066</b>                   | <b>14.9</b>       | 133,090               | 15.4              | 10.5               |
|  | <b>109,055</b>                   | <b>11.0</b>       | 70,621                | 8.2               | 54.4               |
| Antibiotics  | <b>390,229</b>                   | <b>39.5</b>       | 369,878               | 42.7              | 5.5                |
| (Including: Lijunsha<br>Paiqi)   | <b>237,092</b>                   | <b>24.0</b>       | 218,026               | 25.2              | 8.7                |
|  | <b>65,725</b>                    | <b>6.6</b>        | 47,951                | 5.5               | 37.1               |
| Non-antibiotics finished medicines   | <b>170,492</b>                   | <b>17.2</b>       | 127,024               | 14.7              | 34.2               |
| (Including: Dobesilate<br>Lixiding)  | <b>43,760</b>                    | <b>4.4</b>        | 34,223                | 4.0               | 27.9               |
|  | <b>18,648</b>                    | <b>1.9</b>        | 12,776                | 1.5               | 46.0               |
| Sales of bulk pharmaceuticals  | <b>50,907</b>                    | <b>5.2</b>        | 49,272                | 5.6               | 3.3                |
| <b>Group's total sales</b>   | <b><u>988,814</u></b>            | <b><u>100</u></b> | <b><u>866,347</u></b> | <b><u>100</u></b> | <b><u>14.1</u></b> |

**(1) Product marketing**

***1. By optimizing the product and sales structure of intravenous infusion solutions, improvement of the Group's efficiency was further pushed forward***

In the first half year, the Group's PP plastic bottle and non-PVC soft bag infusion solution products witnessed the further prominent competitive strengths in terms of scale of production, manufacturing costs and market share. The production volume of non-PVC soft bag infusion solution and PP plastic bottle infusion solution were increased by 66.1% and 19.8% respectively as compared with the corresponding period of last year. The sales proportion of these two infusion solutions to the total sales of infusion solution of the Group were further increased to 75.0%, up by 5.2% as compared with the corresponding period of last year. Sales of therapeutical infusion solution categories achieved relatively quicker growth, increased by 14.6% as compared with the corresponding period of last year. The Group won the bid in respect of the centralized tender activities of the procurement of pharmaceutical products by the government carried out in 18 provinces throughout the nation, thereby further consolidated and expanded our market share.

Foreign trade has also become an important channel of the Group's operation, adding six newly exporting countries including Korea, Kuwait and Burkina Faso in the first half year. As of today, we have 17 categories of products registered in 12 countries in Southeast Asia, Africa and Eastern Europe and products are sold to 45 countries and regions. The export sales of infusion solution have reached US\$2,900,000, a growth of 19.6% as compared with the corresponding period of last year.

## **2. *Sound operating sentiments in antibiotics preparation***

Sales operation of our leading branded product, Lijunsha, had recorded its best in the corresponding period of recent years. Through the issuance and assessment of “Three Mandatory Plans” in monthly sales, distribution and terminals, sales of Lijunsha in the first half year was HK\$237,092,000, increased by 8.7% as compared with the corresponding period of last year, among which, cash sales of 20 tablets of Lijunsha amounted to HK\$92,374,000. Sales of Lijunsha granules in the first half year achieved a growth of 104.8% as compared with the corresponding period of last year. As we have focused much attention in maintaining the hospital, clinic and tertiary end-user market meticulously, sales of Paiqi series of products in the first half year amounted to HK\$65,725,000, increased by 37.1% as compared with the corresponding period of last year. In the first half year, the overall sales of antibiotics preparation were HK\$390,229,000, increased by 5.5% as compared with the corresponding period of last year.

While achieving a stable growth in sales, the sales operation quality continued to improve. Settlement of accounts receivables has improved significantly with account receivables turnover speeding up further.

## **3. *Significant growth in sales of key brand preparation***

Through the powerful academic promotion and marketing development, sales of Dobesilate in the first half year amounted to HK\$43,760,000, increased by 27.9% as compared with the corresponding period of last year. Sales of Lixiding in the first half year amounted to HK\$18,648,000, increased by 46.0% as compared with the corresponding period of last year. By benefiting from the new policy in medical system reform and government policy support in urban communities and also the new rural markets, sales of general medicines in the first half year amounted to HK\$170,492,000, increased by 34.2% as compared with the corresponding period of last year.

#### **4. Remarkable growth in sales of OTC new products**

Sales of new product “Kehao”, which can clear lung, relieving cough and removing sputa was increased by 115.0% as compared with the corresponding period of last year. Sales of Weikoujia effervescent tablet in the first half year were increased by 62.0% as compared with the corresponding period of last year. Through a series of sales promotion activities, the awareness and influence of Lijungai was further enhanced. Sales of new influenza drugs like “Haogan” are expanding nationwide.

#### **(2) New product development**

Leveraging on industrial strengths, accelerating technological innovation and new product development, focusing on new technology, introducing and applying new techniques and improving core competitiveness continuously are the consistent strategies adhered by the Group.

1. The newly built oral preparation production line by Shijiazhuang No. 4 Pharma was formally completed and put into operation in the first half year. The co-construction of “Shaanxi Provincial Innovative Preparation Engineering Technological Center” between Xi’an Lijun and The Fourth Military Medical University was formally completed in the first half year. The project department, the doctoral workstation and administration office started to move in; and the equipments installations of preparation laboratory, raw material laboratory and analysis laboratory are complete and are at equipment testing and tuning stage. The establishment of innovative preparation center has created better conditions for the research and development of new products and new technology advancement of the Group.

2. In the first half year, the Group obtained the production licences for 2 new products: Compound Mannitol Injection and Radix Notoginseng Capsules of Radix Panacis Quinquefolii, 1 authorized national invention patent and 3 research and development supporting funds. Currently, the Group has over 80 research projects on hand and progressing at different levels. Furthermore, Arbidol Hydrochloride Capsules (the State Class II new drug) was officially listed as a recommended medicine by the *Influenza A (H1N1) Treatment Proposal (2010 version)* issued by the Ministry of Health.
3. By leveraging on our research and development capability, the Group has also undertaken the “Eleventh Five-Year” technology support key project subject of “Safety Research Study on Medicines and Packaging Materials Compatibility” of the State, and achieved significant results. “Drug Candidates New Drug on Anti Dementia MeN061016-1” has received project grants from “New Key Drug Formulation” and “13115 Key Technology Innovation” of the state government and Shaanxi government respectively. “Technology Re-engineering on Erythromycin Ethylsuccinate Crystallization” is registering as a “New Key Drug Formulation” project of “Twelfth Five-Year” and has passed the review conducted by the Ministry of Science and Technology of China. “Yilitangke”, the trademark of Gliclazide Tablets, was recognized as a renowned trademark in Hebei Province.

### **(3) Issue of new share capital**

In the first half year, the issuance of new share capital of 235,000,000 shares, raising HK\$446,500,000 in capital, was completed. Together with the 92,901,109 shares converted from the convertible bonds at the end of last year, total share capital of the Company was increased by 327,901,109 shares to 2,354,904,488 shares.

### 3. DEVELOPMENT OUTLOOK

The macroeconomic environment still encounter many uncertain factors in the second half year and the pharmaceutical industry will still be facing intense competition. However, we perceive new opportunities should still exist because of the market expansion of pharmaceutical industry due to new medical reform, launching of the Group's new products and our aggressive determination. The Group will grasp every opportunity and endeavour ourselves in the following aspects:

**(I) Strive to establish and upgrade our “three business segments”, enhance the Group’s competitive strengths**

***1. Consolidate and upgrade our “core business segments”***

**The first business segment is intravenous infusion solution.** The scale of production and quality standard of PP Plastic Bottle and Non-PVC Soft Bag infusion solution products will be further escalated and improved through project establishment and reengineering and expanding of its existing production capacity. Hence, the Group is able to maintain its domestic leading advantage of quality and efficiency of intravenous infusion solutions products. The Group will strive to develop soft bag infusion solutions as well as therapeutical infusion solutions, so as to increase the proportion in sales of a series of products with comparative advantages like Ambroxol, Amino Acid, Mannitol, Tinidazole, Metronidazole, Hydroxyethyl Starch and Dextran, Ozagrel, Fluconazole, Gatifloxacin. At the same time, the Group will pay proper attention to both the mid and high end markets and new rural market to improve the overall profitability. More efforts will continue to be spent in increasing our overseas sales and focusing on the successful market development in APEC economic countries.

**The second business segment is antibiotics.** We should leverage on the sales and adjustment of our leading unmatched products Lijunsha, focus firmly on second-tier distributors, end-user propaganda and promotion activities as well as direct sales of large chain drugstores at top priority. At the same time, through inventory supply control, we procure the price of the 24s Lijunsha to rebound until reaching the conditions for price adjustment and launching of “Along Price System”. We should value the supplemental and tendering activities of our nationwide exclusive Lijunsha capsule for listing on “essential drug” list in every province. While ensuring the stable increase in sales volume of lyophilized powder injection in Paiqi series, at the same time we will strive for promoting the oral intake series (capsules, dispersible tablets and dry suspension) and its sales volume increase. Sales of Limaixian and cephalosporin powder injection products will operate based on its scheduled scale of production and will strive to achieve significant growth for these products in a careful and intensive cultivation manner.

**2. *Develop and establish “business segment with high growth potential”***

**The first business segment is the cardiovascular and cerebrovascular preparations.** The Group has devoted tremendous resources to our premier brand in microvascular medicine, “Dobesilate”, in recent years. While further strengthening our efforts in the development of hospital market, we will endeavour to expand Dobesilate into OTC market in the second half year to make this “double span” product achieving the RMB100,000,000 sales mark as soon as possible. We will also continue to strengthen our efforts to develop the sales of Lixiding in hospitals, forming a scale of production as soon as possible.



**The second business segment is the featured new product, OTC and health care products.** As for Arbidol Hydrochloride Capsules (the newly approved State Class II new drug), it should leverage on the advantage of the listed national recommended medicines for “Influenza A (H1N1) Treatment Proposal (2010 version)” by the State to firmly grasp the market development and sales volume expansion. We should manage “Haogan” influenza drug in four aspects including “establishing professional team, deploying agent network, valuing advertisement and propaganda and promoting through end-user”, reinforcing hospital and drugstores’ acting in concert to strive for a major breakthrough in sales volume. We will continue to enhance the various and effective promotion of Kehao and Weikoujia, focus on effective propaganda and promotion activities to facilitate growth in sales volume as soon as possible. For the two top quality health care products, Lijungai and Shengtai oral solutions, both of them possess high-tech patented technology and property rights. We will enhance the co-operation with industry associations, develop loyal consumer group gradually through flexible and various targeted marketing and promotion activities, and strive to achieve a significant breakthrough in sales volume. For various new products, including oral intake Zijin soft capsules for improving skin quality, removing speckle and “keeping vitality”, Lingzhihong oral liquid for liver protection and lowering blood glucose level, and Easy Kexin for lead expelling and brain protection, we will launch them into market as soon as possible to create new growing points.

### **3. *Carefully maintaining “basic business segments”***

We value the opportunities for general medicines brought by the State’s medical system reform, treasure the general medicines tendering and supplemental activities, pay attention to the selection of relatively advantageous characteristic products for general medicines to further expand sales volume. We will improve our packing and marketing plan based on the principles of “simplified packing, convenient and practical use” for the bid-winning categories on the State’s Essential Drug List, and strive to achieve new growth in sales volume through direct supply to primary end-users.

**(II) Accelerate special project establishment and new products research and development, facilitate the changes in the methods of economic development to achieve on-going development for the Group**

1. Seriously implementing the “Project driven strategy” to promote the upgrading of the Group’s business and structure optimization. Shijiazhuang No. 4 Pharma will complete the phasing works of production capacity expansion project for intravenous infusion solutions as scheduled. We will strive to complete the infrastructure construction and equipment installation in the first half of next year, obtain the national GMP certification in the third quarter of the next year and commence the production formally. We will manage the setting up of the pharmaceutical ingredients project in producing an annual capacity of 1,000 tonnes of Hydroxyethyl Starch 40 with the trial production conditions being ready during the year. Based on the “Twelfth Five-Year Plan”, Xi’an Lijun will tighten up the further capacity expansion plan of lyophilized powder injection, production line expansion and reengineering plan of liquid injection, investigation and proofing plan in respect of the capacity expansion of 15 billion tablets and bio-fermentation production line construction project. Based on the principles of “leading technical process and technology”, we will complete the preparation of feasibility study in the third quarter, complete the project layout in the fourth quarter and endeavour to implement it as soon as possible.
2. Complete the moving in and running of innovative preparation engineering technical research center. Prepare well for the approval-listing examination carried out by Science & Technology Department of Shaanxi Province. By leveraging on the four platforms such as Lijun New Drug Research Institute, post-doctoral workstation in scientific research, national technology center and technology research center for innovative preparations projects, we will strengthen our co-operation with national level scientific research institutions, introduce pioneers in scientific technology and post-doctoral research fellows and establish expert database in science and technology to improve our capabilities in research and development.

3. Focus ourselves well in research and development of new products, accelerate application and approval processes of key new products, endeavor to obtain the production permits for its products, including Xantinol Nicotinate and Sodium Chloride Injection, Buflomedil Hydrochloride Sodium Chloride Injection, Hydroxyethyl Starch 200, Hydroxyethyl Starch 130, Cefixime Orally Disintegrating Tablets, Cetirizine Hydrochloride Tablets, Compound Metformin Hydrochloride and Glipizide Tablets and Lingzhihong Capsules. We will endeavour to achieve innovative breakthrough in our three core products including Type 1.1 new drug for curing Alzheimer's disease, Type 1.5 new drug for anti-influenza and new drug for gastric mucosal protection functions.

In general, we have many advantages in products, brands and quality, variety of resources, huge marketing network and strong research and development capability. Furthermore, our operating team has extensive experience in management, innovativeness, research and development and investment of new products, initiating and establishment of new projects. All these will strongly underpin the Group's development. Although there are a lot of operation difficulties in 2010, however, we are confident with our future. Through the joint and conscientious efforts of the management and all the staff, we are optimistic to deliver better results and returns to all investors in the second half year.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in HK\$ unless otherwise stated)

|  | Note | Six months ended 30 June      |                               |
|--|------|-------------------------------|-------------------------------|
|  |      | 2010<br>Unaudited<br>HK\$'000 | 2009<br>Unaudited<br>HK\$'000 |
| Revenue  | 3    | 988,814                       | 866,347                       |
| Cost of sales                                    |      | <u>(479,086)</u>              | <u>(443,739)</u>              |
| <b>Gross profit</b>                              |      | <b>509,728</b>                | 422,608                       |
| Other (losses)/gains – net                       |      | (2,012)                       | 8,111                         |
| Selling and marketing costs                      |      | (226,089)                     | (199,770)                     |
| General and administrative expenses              |      | <u>(102,160)</u>              | <u>(83,371)</u>               |
| <b>Operating profit</b>                          | 7    | <b>179,467</b>                | 147,578                       |
| Finance income                                   |      | 1,654                         | 297                           |
| Finance costs                                    |      | <u>(14,714)</u>               | <u>(20,523)</u>               |
| Finance costs – net                              |      | <u>(13,060)</u>               | <u>(20,226)</u>               |
| <b>Profit before income tax</b>                  |      | <b>166,407</b>                | 127,352                       |
| Income tax expenses                              | 8    | <u>(26,105)</u>               | <u>(15,131)</u>               |
| <b>Profit for the period</b>                     |      | <b><u>140,302</u></b>         | <b><u>112,221</u></b>         |
| <b>Other comprehensive income:</b>               |      |                               |                               |
| Currency translation differences                 |      | <u>17,571</u>                 | <u>581</u>                    |
| <b>Total comprehensive income for the period</b> |      | <b><u>157,873</u></b>         | <b><u>112,802</u></b>         |

|  |             | <b>Six months ended 30 June</b> |                        |
|--|-------------|---------------------------------|------------------------|
|  |             | <b>2010</b>                     | 2009                   |
|  | <i>Note</i> | <b>Unaudited</b>                | Unaudited              |
|  |             | <b><i>HK\$'000</i></b>          | <b><i>HK\$'000</i></b> |
| <b>Profit attributable to:</b>   |             |                                 |                        |
| – Equity holders of the Company  |             | <b>140,278</b>                  | 112,179                |
| – Non-controlling interests  |             | <b>24</b>                       | 42                     |
|  |             | <u><b>140,302</b></u>           | <u>112,221</u>         |
| <b>Total comprehensive income attributable to:</b>   |             |                                 |                        |
| – Equity holders of the Company  |             | <b>157,840</b>                  | 112,760                |
| – Non-controlling interests  |             | <b>33</b>                       | 42                     |
|  |             | <u><b>157,873</b></u>           | <u>112,802</u>         |
| <b>Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in HK\$ per share)</b> |             |                                 |                        |
| – Basic  | <i>10</i>   | <u><b>0.0632</b></u>            | <u>0.0553</u>          |
| – Diluted  | <i>10</i>   | <u><b>0.0614</b></u>            | <u>0.0553</u>          |
| Dividends  | <i>9</i>    | <u><b>47,098</b></u>            | <u>40,540</u>          |

## CONDENSED CONSOLIDATED BALANCE SHEET

(All amounts in HK\$ unless otherwise stated)

|   |             | <b>30 June<br/>2010</b>        | 31 December<br>2009     |
|---|-------------|--------------------------------|-------------------------|
|   | <i>Note</i> | <b>Unaudited<br/>HK\$'000</b>  | Audited<br>HK\$'000     |
| <b>ASSETS</b>   |             |                                |                         |
| <b>Non-current assets</b>   |             |                                |                         |
| Land use rights   |             | <b>208,527</b>                 | 209,247                 |
| Property, plant and equipment   |             | <b>841,209</b>                 | 823,174                 |
| Intangible assets   |             | <b>547,308</b>                 | 550,225                 |
| Deferred income tax assets  |             | <b>15,958</b>                  | 17,037                  |
| Available-for-sale financial assets   |             | <b>148</b>                     | 147                     |
| <b>Total non-current assets</b>   |             | <b><u>1,613,150</u></b>        | <u>1,599,830</u>        |
| <b>Current assets</b>   |             |                                |                         |
| Inventories   |             | <b>257,667</b>                 | 229,377                 |
| Trade and bill receivables  | 4           | <b>403,380</b>                 | 408,394                 |
| Financial assets at fair value<br>through profit or loss                      |             | <b>7,685</b>                   | 87                      |
| Prepayments, deposits and other receivables                                   |             | <b>69,910</b>                  | 68,945                  |
| Pledged bank deposits   |             | <b>117</b>                     | 8,662                   |
| Cash and cash equivalents   |             | <b>692,586</b>                 | 184,964                 |
| <b>Total current assets</b>   |             | <b><u>1,431,345</u></b>        | <u>900,429</u>          |
| <b>Total assets</b>   |             | <b><u><u>3,044,495</u></u></b> | <u><u>2,500,259</u></u> |
| <b>EQUITY</b>   |             |                                |                         |
| <b>Capital and reserves attributable to equity<br/>holders of the Company</b> |             |                                |                         |
| Share capital   |             | <b>54,069</b>                  | 48,894                  |
| Reserves  | 5           | <b>2,125,479</b>               | 1,575,882               |
|   |             | <b>2,179,548</b>               | 1,624,776               |
| <b>Non-controlling interests</b>  |             | <b>1,077</b>                   | 1,044                   |
| <b>Total equity</b>   |             | <b><u><u>2,180,625</u></u></b> | <u><u>1,625,820</u></u> |

|  |             | <b>30 June</b>   | 31 December     |
|--|-------------|------------------|-----------------|
|  |             | <b>2010</b>      | 2009            |
|  | <i>Note</i> | <b>Unaudited</b> | Audited         |
|  |             | <b>HK\$'000</b>  | <b>HK\$'000</b> |
| <b>LIABILITIES</b>                           |             |                  |                 |
| <b>Non-current liabilities</b>               |             |                  |                 |
| Borrowings                                   |             | <b>126,582</b>   | 78,172          |
| Deferred income tax liabilities              |             | <b>27,218</b>    | 28,474          |
| Deferred revenue                             |             | <b>4,700</b>     | 4,657           |
| Long-term payables                           |             | <b>14,316</b>    | 15,189          |
|  |             | <hr/>            | <hr/>           |
| <b>Total non-current liabilities</b>         |             | <b>172,816</b>   | 126,492         |
|  |             | <hr/>            | <hr/>           |
| <b>Current liabilities</b>                   |             |                  |                 |
| Trade and bill payables                      | 6           | <b>166,357</b>   | 166,259         |
| Advanced receipts from customers             |             | <b>16,442</b>    | 16,067          |
| Accruals and other payables                  |             | <b>100,468</b>   | 116,577         |
| Income tax payable                           |             | <b>11,710</b>    | 13,248          |
| Borrowings                                   |             | <b>396,077</b>   | 435,796         |
|  |             | <hr/>            | <hr/>           |
| <b>Total current liabilities</b>             |             | <b>691,054</b>   | 747,947         |
|  |             | <hr/>            | <hr/>           |
| <b>Total liabilities</b>                     |             | <b>863,870</b>   | 874,439         |
|  |             | <hr/>            | <hr/>           |
| <b>Total equity and liabilities</b>          |             | <b>3,044,495</b> | 2,500,259       |
|  |             | <hr/>            | <hr/>           |
| <b>Net current assets</b>                    |             | <b>740,291</b>   | 152,482         |
|  |             | <hr/>            | <hr/>           |
| <b>Total assets less current liabilities</b> |             | <b>2,353,441</b> | 1,752,312       |
|  |             | <hr/>            | <hr/>           |

# SELECTED NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

*(All amounts in HK\$ unless otherwise stated)*

## 1 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2010 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 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

## 2 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

### (a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010:

- 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”, are 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 revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed. This standard does not have any impact on the Group's condensed consolidated interim financial information, as the Group has not entered into any business combination during the period for the six months ended 30 June 2010.

- HKAS 17 (amendment), 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases, and considered this amendment did not have any impact to the Group as all the leases of land should still be classified as operating leases under the HKAS 17 (amendment).

(b) Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group:

- IFRIC/HK(IFRIC)-Int 17, "Distributions of non-cash assets to owners" is effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.
- "Additional exemptions for first-time adopters" (Amendment to HKFRS 1) is effective for annual reporting periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing HKFRS preparer.
- HKAS 39 (Amendment), "Eligible hedged items" is effective for annual reporting periods beginning on or after 1 July 2009. That is not currently applicable to the Group, as it has no hedging activities.
- HKFRS 2 (Amendment), "Group cash-settled share-based payment transaction" is effective for annual reporting periods beginning on or after 1 January 2010. This is not currently applicable to the Group, as it has no such share-based payment transactions for the six months ended 30 June 2010.

- First improvements to International Financial Reporting Standards (2008) were issued in May 2008 by the IASB and October 2008 by the HKICPA. The improvement related to HKFRS 5 “Non-current assets held for sale and discontinued operations” is effective for annual reporting periods on or after 1 July 2009. This is not currently applicable to the Group, as it has no non-current assets held for sale or discontinued operations for the six months ended 30 June 2010.
  - Second improvements to International Financial Reporting Standards (2009) were issued in April 2009 by IASB and May 2009 by the HKICPA. All improvements are not currently applicable to the Group for the six months ended 30 June 2010.
- (c) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

| <b>Standards</b>     | <b>Amendments</b>  | <b>Effective date</b> |
|----------------------|--|-----------------------|
| HKFRS 9              | Financial instruments: Classification and measurement of financial assets      | 1 January 2013        |
| HKAS 24<br>(Revised) | Related party disclosures  | 1 January 2011        |
| HKAS 32              | Classification of rights issues  | 1 February 2010       |
| HK(IFRIC) Int-14     | Prepayments of a minimum funding requirement                                   | 1 January 2011        |
| HK(IFRIC) Int-19     | Extinguishing financial liabilities with equity instruments                    | 1 July 2010           |
| HKFRS 1              | Limited exemption from comparative HKFRS 7 disclosures for first-time adopters | 1 July 2010           |

- Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010 by the HKICPA. All improvements are effective in the financial year of 2011.

### **3 Segment information**

The chief operating decision-maker has been identified as the executive directors. The decision-maker reviews the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The decision-maker considers the business from a product perspective. From a product perspective, management assesses the performance of two product segments, namely intravenous infusion solution and antibiotics and others.

The decision-maker assesses the performance of the operating segments based on a measure of revenue and profit. This measurement is consistent with that in the annual financial statements.

Unallocated operating loss mainly represents corporate expenses.

Segment assets consist primarily of land use rights, property, plant and equipment, intangible assets, inventories, trade and bill receivables, prepayments, deposits and other receivables, pledged bank deposits and cash and cash equivalents. Unallocated assets mainly comprise corporate cash.

Segment liabilities comprise mainly operating liabilities. Unallocated liabilities mainly comprise corporate borrowings.

The revenue from external parties reported to the management is measured in a manner consistent with that in the condensed consolidated interim statement of comprehensive income.

|  | <b>Unaudited</b>  |  |                                 |                           |
|--|---|--|---------------------------------|---------------------------|
|  | <b>Intravenous<br/>infusion<br/>solution<br/>HK\$'000</b> | <b>Antibiotics<br/>and others<br/>HK\$'000</b> | <b>Unallocated<br/>HK\$'000</b> | <b>Total<br/>HK\$'000</b> |
| <b>Six months ended 30 June 2010</b>           |   |  |                                 |                           |
| <b>Revenue</b>                                 | <u>377,186</u>  | <u>611,628</u>                                 | <u>–</u>                        | <u>988,814</u>            |
| <b>Operating profit/(loss) segment results</b> | 107,890   | 83,826   | (12,249)                        | 179,467                   |
| Finance income                                 | 136   | 1,223  | 295                             | 1,654                     |
| Finance costs                                  | <u>(4,766)</u>  | <u>(7,041)</u>                                 | <u>(2,907)</u>                  | <u>(14,714)</u>           |
| <b>Profit/(loss) before income tax</b>         | 103,260   | 78,008   | (14,861)                        | 166,407                   |
| Income tax expenses                            | <u>(15,403)</u>   | <u>(10,702)</u>                                | <u>–</u>                        | <u>(26,105)</u>           |
| <b>Profit/(loss) for the period</b>            | <u>87,857</u>   | <u>67,306</u>                                  | <u>(14,861)</u>                 | <u>140,302</u>            |
| <b>Six months ended 30 June 2009</b>           |   |  |                                 |                           |
| <b>Revenue</b>                                 | <u>320,173</u>  | <u>546,174</u>                                 | <u>–</u>                        | <u>866,347</u>            |
| <b>Operating profit/(loss) segment results</b> | 79,522  | 70,134   | (2,078)                         | 147,578                   |
| Finance income                                 | 85  | 201  | 11                              | 297                       |
| Finance costs                                  | <u>(8,078)</u>  | <u>(4,760)</u>                                 | <u>(7,685)</u>                  | <u>(20,523)</u>           |
| <b>Profit/(loss) before income tax</b>         | 71,529  | 65,575   | (9,752)                         | 127,352                   |
| Income tax expenses                            | <u>(5,158)</u>  | <u>(9,906)</u>                                 | <u>(67)</u>                     | <u>(15,131)</u>           |
| <b>Profit/(loss) for the period</b>            | <u>66,371</u>   | <u>55,669</u>                                  | <u>(9,819)</u>                  | <u>112,221</u>            |

|                               | <b>Unaudited</b>  |  |                                 |                           |
|-------------------------------|---|--|---------------------------------|---------------------------|
|                               | <b>Intravenous<br/>infusion<br/>solution<br/>HK\$'000</b> | <b>Antibiotics<br/>and others<br/>HK\$'000</b> | <b>Unallocated<br/>HK\$'000</b> | <b>Total<br/>HK\$'000</b> |
| <b>As at 30 June 2010</b>     |   |  |                                 |                           |
| <b>Total assets</b>           | <u>1,584,323</u>  | <u>1,110,082</u>                               | <u>350,090</u>                  | <u>3,044,495</u>          |
| <b>Total liabilities</b>      | <u>407,969</u>  | <u>394,519</u>                                 | <u>61,382</u>                   | <u>863,870</u>            |
|                               | <b>Audited</b>  |  |                                 |                           |
|                               | <b>Intravenous<br/>infusion<br/>solution<br/>HK\$'000</b> | <b>Antibiotics<br/>and others<br/>HK\$'000</b> | <b>Unallocated<br/>HK\$'000</b> | <b>Total<br/>HK\$'000</b> |
| <b>As at 31 December 2009</b> |   |  |                                 |                           |
| <b>Total assets</b>           | <u>1,435,431</u>  | <u>1,045,192</u>                               | <u>19,636</u>                   | <u>2,500,259</u>          |
| <b>Total liabilities</b>      | <u>385,241</u>  | <u>401,197</u>                                 | <u>88,001</u>                   | <u>874,439</u>            |

#### 4 Trade and bill receivables

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

|                                | <b>30 June<br/>2010<br/>Unaudited<br/>HK\$'000</b> | 31 December<br>2009<br>Audited<br>HK\$'000 |
|--------------------------------|--|--|
| Within 3 months                | <b>374,180</b>                                     | 370,110                                    |
| 4 to 6 months                  | <b>19,894</b>                                      | 22,107                                     |
| 7 to 12 months                 | <b>8,355</b>                                       | 12,831                                     |
| 1 to 2 years                   | <b>9,458</b>                                       | 13,741                                     |
| 2 to 3 years                   | <b>14,387</b>                                      | 7,413                                      |
| More than 3 years              | <b>781</b>   | 530  |
|                                | <b>427,055</b>                                     | 426,732                                    |
| Less: Provision for impairment | <b>(23,675)</b>                                    | (18,338)                                   |
|                                | <b>403,380</b>                                     | 408,394                                    |

#### 5 Reserves

|  | Unaudited                    |                                |   |                                   |   |                                  |                   |
|--|------------------------------|--------------------------------|---|-----------------------------------|---|----------------------------------|-------------------|
|  | Share<br>premium<br>HK\$'000 | Capital<br>reserve<br>HK\$'000 | Equity<br>component<br>of<br>convertible<br>bonds<br>HK\$'000 | Statutory<br>reserves<br>HK\$'000 | Share-based<br>payment<br>reserve<br>HK\$'000 | Retained<br>earnings<br>HK\$'000 | Total<br>HK\$'000 |
| <b>At 1 January 2010</b>                           | 842,176                      | 175,547                        | –   | 139,555                           | 15,308  | 403,296                          | 1,575,882         |
| Issuance of shares                                 | 439,330                      | –                              | –   | –                                 | –   | –                                | 439,330           |
| Dividends paid to equity holders<br>of the Company | –                            | –                              | –   | –                                 | –   | (47,098)                         | (47,098)          |
| Profit for the period                              | –                            | –                              | –   | –                                 | –   | 140,278                          | 140,278           |
| Currency translation differences                   | 9,846                        | 1,627                          | –   | 1,341                             | 143   | 4,130                            | 17,087            |
| <b>At 30 June 2010</b>                             | <b>1,291,352</b>             | <b>177,174</b>                 | <b>–</b>  | <b>140,896</b>                    | <b>15,451</b>                                 | <b>500,606</b>                   | <b>2,125,479</b>  |

Unaudited

|   | Equity component of |                 |                   |                    |                             |                   | Total            |
|---|---------------------|-----------------|-------------------|--------------------|-----------------------------|-------------------|------------------|
|   | Share premium       | Capital reserve | convertible bonds | Statutory reserves | Share-based payment reserve | Retained earnings |                  |
|   | <i>HK\$'000</i>     | <i>HK\$'000</i> | <i>HK\$'000</i>   | <i>HK\$'000</i>    | <i>HK\$'000</i>             | <i>HK\$'000</i>   | <i>HK\$'000</i>  |
| <b>At 1 January 2009</b>                        | 737,532             | 175,266         | 7,028             | 115,077            | 15,284                      | 271,698           | 1,321,885        |
| Redemption of convertible bonds                 | -                   | -               | (1,303)           | -                  | -                           | -                 | (1,303)          |
| Dividends paid to equity holders of the Company | -                   | -               | -                 | -                  | -                           | (20,270)          | (20,270)         |
| Profit for the period                           | -                   | -               | -                 | -                  | -                           | 112,179           | 112,179          |
| Currency translation differences                | 301                 | 72              | 2                 | 47                 | 6                           | 133               | 561              |
| <b>At 30 June 2009</b>                          | <u>737,833</u>      | <u>175,338</u>  | <u>5,727</u>      | <u>115,124</u>     | <u>15,290</u>               | <u>363,740</u>    | <u>1,413,052</u> |

## 6 Trade and bill payables

Ageing analysis of trade and bill payables is as follows:

|                   | <b>30 June<br/>2010<br/>Unaudited<br/><i>HK\$'000</i></b> | 31 December<br>2009<br>Audited<br><i>HK\$'000</i> |
|-------------------|---|---|
| Within 3 months   | <b>102,705</b>  | 120,694   |
| 4 to 6 months     | <b>26,152</b>   | 22,723  |
| 7 to 12 months    | <b>28,751</b>   | 12,325  |
| 1 to 3 years      | <b>4,274</b>  | 8,424   |
| More than 3 years | <b>4,475</b>  | 2,093   |
|                   | <u><b>166,357</b></u>                                     | <u>166,259</u>                                    |

## 7 Operating profit

The following items have been charged/(credited) to the operating profit during the six months ended 30 June 2010 and 2009:

|   | Six months ended 30 June |           |
|---|--------------------------|-----------|
|   | 2010                     | 2009      |
|   | Unaudited                | Unaudited |
|   | HK\$'000                 | HK\$'000  |
| Loss on disposal of property, plant and equipment | 86                       | 115       |
| Depreciation of property, plant and equipment     | 38,294                   | 34,550    |
| Reversal of inventory provision                   | (698)                    | (5,901)   |
| Provision for impairment of receivables           | 4,700                    | 1,094     |
| Amortisation of intangible assets                 | 8,922                    | 8,803     |
| Amortisation of land use rights                   | 2,649                    | 2,627     |
| Foreign exchange loss/(gain), net                 | 1,066                    | (132)     |

## 8 Income taxes

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

The Group had no assessable profits in Hong Kong and, accordingly, no Hong Kong profits tax was provided.

Xi'an Lijun Pharmaceutical Co., Ltd. and Shijiazhuang No. 4 Pharmaceutical Co., Ltd., the wholly owned subsidiaries of the Company, established and operate in Mainland China are subject to Mainland China Enterprise Income Tax ("EIT") at an applicable rate of 15% for the year ending 31 December 2010. Both subsidiaries are qualified as high technology enterprises and entitled to a 15% preferential EIT rate for the years from 2010 to 2012.

Xi'an Lijun Pharmaceutical Co., Ltd. and Shijiazhuang No. 4 Pharmaceutical Co., Ltd. are wholly foreign owned enterprises and had obtained approvals from the relevant Mainland China Tax authority for their entitlement of a two-year full exemption followed by a three-year 50% tax deduction, commencing from the first cumulative profit-making year net of losses carried forward, i.e. 2005. Accordingly, EIT rate applicable to both subsidiaries was 12.5% during the year ended 31 December 2009.

|                     | <b>Six months ended 30 June</b> |                 |
|---------------------|---------------------------------|-----------------|
|                     | <b>2010</b>                     | 2009            |
|                     | <b>Unaudited</b>                | Unaudited       |
|                     | <b>HK\$'000</b>                 | <b>HK\$'000</b> |
| Current income tax  | 26,385                          | 14,849          |
| Deferred income tax | (280)                           | 282             |
|                     | <u>26,105</u>                   | <u>15,131</u>   |

## 9 Dividends

|  | <b>Six months ended 30 June</b> |                 |
|--|---------------------------------|-----------------|
|  | <b>2010</b>                     | 2009            |
|  | <b>Unaudited</b>                | Unaudited       |
|  | <b>HK\$'000</b>                 | <b>HK\$'000</b> |
| Interim dividend, declared, of HK\$2 cents<br>(six months ended 30 June 2009: HK\$2 cents)<br>per ordinary share | <u>47,098</u>                   | <u>40,540</u>   |

At a meeting held on 23 August 2010, the directors recommended the payment of an interim dividend of HK\$2 cents per ordinary share, totaling HK\$ 47,098,000 in respect of the six months ended 30 June 2010. The proposed dividend has not been reflected as a dividend payable in this condensed consolidated interim financial information, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2010.

## 10 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company of approximately HK\$140,278,000 (six months ended 30 June 2009: HK\$112,179,000) by the weighted average number of 2,220,068,000 (six months ended 30 June 2009: 2,027,003,000) ordinary shares in issue during the period.



Diluted earnings per share is calculated after adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares at 30 June 2010, i.e., share options (at 30 June 2009: share options and convertible bonds). For the outstanding share options, a calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares in the relevant periods) based on the market values of the subscription rights attached to outstanding share options. The number of shares calculated as below is compared with the number of shares that would have been issued assuming the exercise of the share options. For convertible bonds, it is assumed that they have been converted into ordinary shares since the beginning of the year or date of issuance (whichever is later) and, consequently the net profit is adjusted to eliminate the relevant interest expense together with the related tax effect.

|  | <b>Six months ended 30 June</b> |                  |
|--|---------------------------------|------------------|
|  | <b>2010</b>                     | 2009             |
|  | <b>Unaudited</b>                | Unaudited        |
|  | <b>HK\$'000</b>                 | <b>HK\$'000</b>  |
| Profit used to determine diluted earnings per share  | <b>140,278</b>                  | 112,179          |
| Interest expense on convertible bonds  | <u>–</u>                        | <u>6,393</u>     |
| Adjusted profit attributable to equity holders of the Company                                  | <u><b>140,278</b></u>           | <u>118,572</u>   |
| Weighted average number of ordinary shares in issue (thousands)                                | <b>2,220,068</b>                | 2,027,003        |
| Adjustment for share options (thousands)   | <b>66,047</b>                   | –                |
| Adjustments for assumed conversion of convertible bonds (thousands)                            | <u>–</u>                        | <u>110,265</u>   |
| Weighted average number of ordinary shares for diluted earnings per share (thousands)          | <u><b>2,286,115</b></u>         | <u>2,137,268</u> |
| Recalculated earnings per share (HK\$ per share)   | <u><b>0.0614</b></u>            | <u>0.0555</u>    |
| Diluted earnings per share as reflected on the comprehensive income statement (HK\$ per share) | <u><b>0.0614</b></u>            | <u>0.0553</u>    |

During the six months ended 30 June 2009, the dilutive effect of share options was anti-dilutive.

## 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 2010, the cash and cash equivalents aggregated to HK\$692,586,000 (31 December 2009: HK\$184,964,000), comprising HK\$404,386,000 (31 December 2009: HK\$7,413,000) of cash and cash equivalents denominated in Hong Kong dollars, HK\$287,887,000 (31 December 2009: HK\$176,551,000) in RMB and HK\$313,000 (31 December 2009: HK\$1,000,000) in other currencies.

As at 30 June 2010, the Group has restricted deposits amounting to HK\$117,000 (31 December 2009: HK\$8,662,000) as guarantee of the bank borrowings, payables for property, plant and equipment and bills payables.

The carrying amounts of the borrowings amounting to HK\$522,659,000 as at 30 June 2010 (31 December 2009: HK\$513,968,000), comprising HK\$110,000,000 (31 December 2009: HK\$105,100,000) of borrowings denominated in Hong Kong dollars and HK\$412,659,000 (31 December 2009: HK\$408,868,000) in RMB.

As at 30 June 2010, the cash and cash equivalents and pledged bank deposits exceeded bank borrowings by HK\$170,044,000 (31 December 2009: net gearing ratio (defined as bank borrowings less cash and cash equivalents and pledged bank deposits divided by total equity less minority interests) of 19.7%).

Current ratio (defined as current assets divided by current liabilities) increased from 1.20 as at 31 December 2009 to 2.07 as at 30 June 2010.

## **POST BALANCE SHEET EVENT**

### **1. Placement of existing shares**

On 13 July 2010, Victory Rainbow Investment Limited, a substantial shareholder of the Company has engaged Morgan Stanley & Co. International plc for the placement of an aggregate of 165,000,000 shares in the Company representing a total of approximately 7.01% of the entire issued and fully paid up share capital of the Company as at 13 July 2010 at a price of HK\$2.28 per share. The placement of the shares forms part of Victory Rainbow Investment Limited's own respective asset management plan. Immediately upon completion of the placement, Victory Rainbow Investment Limited holds 117,700,000 shares in the Company, representing 4.99% shareholding.

### **2. Memorandum of understanding in respect of formation of joint venture**

On 21 July 2010, the Company entered into a memorandum of understanding with Tonghua Dongbao Pharmaceutical Co., Ltd., a company listed on the Shanghai Stock Exchange (under stock code: 600867.SH) in the PRC, pursuant to which they will establish a joint venture company in Julin Province, the PRC. The joint venture company will be engaged principally in the manufacture and sale of large volume intravenous infusion solutions.

Further details were set out in the Company's announcement dated 21 July 2010.

## **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. Hence, no financial instrument for hedging was employed. The Group is closely monitoring the financial market and would consider appropriate measures if required.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

There was no material acquisition or disposal of subsidiaries or associates during the six months ended 30 June 2010.

## **PLEDGE OF ASSETS**

As at 30 June 2010, the Group's restricted deposits of HK\$117,000 and land use rights, property, plant and equipment with the net book amount of approximately HK\$64,662,000 and HK\$232,307,000 respectively were pledged as collateral for the Group's bank borrowings, payables for property, plant and equipment and bills payables.

## **CONTINGENT LIABILITIES**

As at 30 June 2010, the Group did not have any significant contingent liabilities.

## **INTERIM DIVIDEND**

The Directors resolved to pay on 24 September 2010 an interim dividend of HK\$0.02 per share (amounting to a total of approximately HK\$47,098,000) for the six months ended 30 June 2010 to the shareholders named in the register of members of the Company on 10 September 2010. The interim dividend represents a payout rate of 33.6% of net profit attributable to the equity holders of the Company for the six months ended 30 June 2010.

## **EXCHANGE RATE**

As at 2010 and 2009, the exchange rates of converting HK\$ into RMB (as calculated in HK\$) were:

|                  |         |
|------------------|---------|
| 1 January 2009   | 0.88189 |
| 30 June 2009     | 0.88153 |
| 31 December 2009 | 0.88048 |
| 30 June 2010     | 0.87239 |

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

The Company has not redeemed any of its Shares during the period.

Save for the allotment and issuance of an aggregate of 235,000,000 shares of the Company to Value Partners Limited (205,000,000 shares) and Atlantis Investment Management Limited (30,000,000 shares) which details were set out in the Company's announcements dated 14 April 2010 and 27 April 2010, 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 2010.

## SHARE OPTION SCHEME

The Group has adopted a share option scheme, which will remain in force for 3 years up to August 2011.

In August 2008, share options were granted to certain directors and employees to subscribe 100,000,000 shares in the Company at an exercise price of HK\$0.7 per share, exercisable from August 2008 to August 2011.

Share options outstanding have the following expiry date and exercise price:

| Expiry date   | Exercise price<br>per share<br><i>HK\$</i> | As at                                       |   |
|---------------|--|---|---|
|               |  | 30 June<br>2010<br>Unaudited<br><i>'000</i> | 31 December<br>2009<br>Audited<br><i>'000</i> |
| 6 August 2011 | <u>0.7</u>                                 | <u>100,000</u>                              | <u>100,000</u>                                |

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that a sufficient public float of more than 25% of the issued capital of the Company has been maintained as at the date of this announcement, being 23 August 2010, and at all times during the six months ended 30 June 2010.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. All Directors have confirmed that there were not any non-compliance with the standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the six months ended 30 June 2010.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company applied the principles and complied with all requirements of the Code on Corporate Governance Practices (“CG Code”) contained in Appendix 14 to the Listing Rules. During the six months ended 30 June 2010, the Company has complied with the applicable Code Provisions set out in the CG Code.

## **INDEPENDENT REVIEW OF AUDITORS**

The Interim Financial Information for the six months ended 30 June 2010 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 2010.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Wednesday, 8 September, 2010 to Friday, 10 September, 2010 (both days 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 17M Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 7 September, 2010.

## PUBLICATION OF THE INTERIM REPORT

The 2010 interim report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on Hong Kong Exchanges and Clearing Limited's website ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company's website ([www.lijun.com.hk](http://www.lijun.com.hk)) in due course.

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

On behalf of the Board

**Wu Qin**

*Chairman*

Hong Kong, 23 August 2010

*As at the date of this announcement, the Board comprises Mr. Wu Qin, Mr. Qu Jiguang, Mr. Xie Yunfeng, Mr. Huang Chao, Ms. Sun Xinglai, Mr. Wang Xian Jun, Mr. Duan Wei, Ms. Zhang Guifu, Mr. Bao Leyuan and Ms. Gao Shuping 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.*