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

Interim Report

2009

CONTENTS

CORPORATE INFORMATION

STOCK CODE
2005

EXECUTIVE DIRECTORS
Mr. Wu Qin *(Chairman)*
Mr. Qu Jiguang
Mr. Huang Chao
Mr. Xie Yunfeng
Ms. Sun Xinglai
Mr. Wang Xianjun
Mr. Duan Wei
Ms. Zhang Guifu
Mr. Bao Leyuan
Ms. Gao Shuping

NON-EXECUTIVE DIRECTOR
Mr. Liu Zhiyong

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Wang Yibing
Mr. Leung Chong Shun
Mr. Chow Kwok Wai

COMPANY SECRETARY
Mr. Sze Wing Kin, Pierre

REGISTERED OFFICE
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Office 2809, 28th Floor, Office Tower
Convention Plaza, 1 Harbour Road
Wanchai, Hong Kong

AUTHORISED REPRESENTATIVES
Mr. Wang Xianjun
Ms. Sun Xinglai

AUDIT COMMITTEE
Mr. Chow Kwok Wai *(Chairman)*
Mr. Wang Yibing
Mr. Leung Chong Shun

REMUNERATION COMMITTEE
Mr. Leung Chong Shun *(Chairman)*
Mr. Wang Yibing
Mr. Chow Kwok Wai

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Butterfield Fulcrum Group (Cayman) Limited
P.O. Box 705, Butterfield House,
68 Fort Street
George Town, Grand Cayman,
Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
Shops 1806-1807, 18th Floor
Hopewell Centre
183 Queen's Road East, Hong Kong

PRINCIPAL BANKERS
Bank of China
Bank of China (Hong Kong) Ltd.
Industrial and Commercial Bank of China
China Construction Bank
China Construction Bank (Asia)
China Merchants Bank
China Minsheng Banking Corp., Ltd.
China CITIC Bank
Hang Seng Bank
CITIC Ka Wah Bank
Bank of Communications
Shanghai Pudong Development Bank
Agricultural Bank of China
Shijiazhuang City Commercial Bank

LEGAL ADVISER TO THE COMPANY AS TO HONG KONG LAW
DLA Piper Hong Kong

AUDITORS
PricewaterhouseCoopers

CHAIRMAN'S STATEMENT

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 2009.

1. RESULTS AND DIVIDEND PAYMENT

The Group's recorded a sales income of HK$866,347,000 for the period, representing an increase of 2.4% as compared to the corresponding period last year. The Group achieved profit attributable to equity holders for the period of HK$112,179,000, representing an increase of 9.9% as compared to the full year of last year.

The Board proposed an interim dividend of HK$0.02 per share, representing approximately HK$40,540,000 (interim dividend of HK$0.006 per share, representing approximately HK$12,162,000 was distributed in last year).

2. BUSINESS REVIEW

During the period, competition of pharmaceutical market remained very intense. Augmented by the impact of global financial crisis, the overall operating environment of pharmaceutical industry was still enduring difficulties. However, the introduction of the State's new medical system reform during the period, the commencement of escalating investments in hygienic medical industry had precipitated sound development opportunities to the pharmaceutical industry. By leveraging on these opportunities during the period, the Company promoted its sales, focused on costs reduction and expenses control and had paved our way to overcome the operating difficulties entwining us since the second half year of last year, and revamping to a healthy and stable development.

(1) Further strengthening of Intravenous Infusion Solution business

With the commercial production of two new Infusion Solution production lines, our Intravenous Infusion Solution and its underlying businesses continued to sustain growth. During the period, sales income of HK$320,173,000 was recorded, growth by 14.8% as compared to the corresponding period last year. With economies of scale further emerged, operating profit was HK$79,522,000, a growth of 7.4%. With further rationalization of product portfolio, in terms of packaging, sales volume of PP Plastic Bottle and Non-PVC Soft Bag products increased to 70% from 61% in corresponding period last year; and in terms of pharmaceutical products, sales ratio of Amino Acid and therapeutic infusion products increased to 50% from 48% in corresponding period last year.

During the period, export volume and the number of exported countries on intravenous infusions products had increased gradually. Currently, the Company has 15 infusions categories applying product registrations in 28 countries and regions in Asia and South America, laying a solid foundation for the future export business of the Company.

The Company is recognized by the State as the only PRC enterprise undertaking research on「十一五」國家科技支撐計劃重點項目－藥用新輔料臨床前安全性評價及藥品與包裝材料的相容性安全研究課題. This has symbolized the frontier positioning of the Company in PRC in the aspect of the research and development of Intravenous Infusions safety.

(2) Revival of antibiotics business

After going through the market adjustment in the second half year of last year, our antibiotics business has revived in the first half of the year. During the period, sales of Lijunsha reached HK$218,026,000, a decrease of 17.8% as compared to the corresponding period last year, sales of Paiqi was HK$47,951,000, a drop of 13.0% as compared to the corresponding period last year. Sales of antibiotics segment in general was down by 12.0% as compared to the corresponding period last year. Despite a drop in sales of antibiotics segment when compared with last year, however, significant improvement in its operation was seen when compared with the second half year's performance of last year. Profit for the first half of the year was satisfactory. We believe, with further market adjustments and continuous improvement of this business, the dropping momentum of antibiotics business will diminish significantly during the year.

(3) Sustained growth of key new products and general medicines

By benefiting from the State's new medical system reform, the Company is leveraging on the strength of its brand name in enhancing the in-depth development of its sales network, with its key new products and general medicines achieving better sales performance. Of which, sales of Dobesilate was HK$34,223,000, an increase of 36.5% as compared to the corresponding period last year; sales of Lixiding products was HK$12,776,000, a growth of 24.4% as compared to the corresponding period last year. Overall sales of general medicines were HK$127,024,000, an increase of 22.7% as compared to the corresponding period last year.

(4) Strengthening the development and industrialized production of new products

During the period, approval of pharmaceutical supplemental application in respect of the validity period extension of new influenza drugs like Paracetamol, Loratadine and Pseudoephedrine Sulfate Sustained Release Tablet and production permit of Compound Glycyrrhizic Acid Tablet, clinical approval of Loratadine Soft Capsule, and approval of 2,000ml Mannitol Injection were obtained. New products like Azithromycin Suspension, Duanxueliu Soft Capsule and Compound Glycyrrhizic Acid Tablet were distributed into the market one after another.

In the first half of the year, the newly constructed research and quality inspection centres for new products had commenced their operation one after another. The building up of the research and academic platform of infusions products is strengthening further. At the moment, the Company has either reached co-operation agreements or intentions with various domestic tertiary institutes and research organizations to establish laboratories. Talents and projects that fulfills the criteria set by the Company will be converged together effectively with technologies and products innovativeness being enhanced continuously.

3. DEVELOPMENT OUTLOOK

The operating environment of pharmaceutical industry does not expect any significant change in the second half of the year. However, the Company will still be facing intense market competition, and at the same time, the State's medical system reform shall also bring sound development opportunities to the pharmaceutical industry. The Company will fully leverage on the strengths of its brand name, premium quality and sales network to facilitate our product sales volume further. We shall continue to implement measures to reduce costs, control expenses and to further improve the operational quality of the Company.

(1) On-going rationalization of Intravenous Infusion Solution business

The production capacity of PP Plastic Bottle and Non-PVC Soft Bag products will be escalated through expanding its production capacity. We will further increase the product sales ratios of Amino Acid and therapeutic infusion products like Mannitol, Hydroxyethyl Starch and Dextran, develop new products and improve overall gross margins. More efforts will be spent in increasing our overseas registrations in order to maintain our growth in foreign trade.

(2) Strive to improve the operational quality of antibiotics, and to promote their new developments

In the second half year, our key focus is to promote the market distribution of new OTC new products like 20s new Lijunsha tablet, new influenza drug "Haogan" and Lijungai. At the same time, we will further enhance the promotion and sales efforts of Lijunsha among sub-dealers and end users mainly at region and county level, implement the integration of end-user resources rationalization of Lijunsha products, tackle the market issue of Lijunsha pricing, and strive to ensure meeting our planned annual targets.

(3) Gradual formation of our new strengths in general medicines and key new products

The State has recently announced the Essential Drug List, expanded the coverage of basic medical protection and improved the standard of basic medical protection. The Group has 81 products included in the Essential Drug List which are covered by medical insurance, of which all possess relatively higher growing potential. The Group will strive for meeting the fixed sourcing and unified distribution criteria of all areas for those enlisted products, boost the sales in new growing markets as a result of new medical reform of general medicines. We will increase our efforts in promoting those new products like Dobesilate, Lixiding and Arbidol which have almost reached its critical mass, and to strive for higher sales breakthrough. By leveraging on the Lijun brand name and its network, we will keep on introducing new products to capture this market.

In general, despite facing lots of challenges in our operation in the second half year, however, we have full confidence in meeting our targets for the year with the 2009 Group's operating results better than or significantly out-performing last year.

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

Wu Qin
Chairman

Hong Kong, 28 August 2009

MANAGEMENT DISCUSSION AND ANALYSIS

SALES

The Group's total sales increased from HK$846,335,000 for the corresponding period last year by 2.4% to HK$866,347,000 for the six months ended 30 June 2009.

	For the six months ended 30 June				
	2009		2008		
	Sales	**Percentage of sales**	Sales	Percentage of sales	Change
	HK$'000	***%***	*HK$'000*	*%*	*%*
Intravenous Infusion Solution	**320,173**	**37.0**	278,779	33.0	14.8
(Including: PP Plastic Bottle Infusion Solution	**133,090**	**15.4**	105,650	12.5	26.0
Non-PVC Soft Bag Infusion Solution)	**70,621**	**8.2**	46,730	5.5	51.1
Antibiotics	**369,878**	**42.7**	420,361	49.6	(12.0)
(Including: Lijunsha	**218,026**	**25.2**	265,194	31.3	(17.8)
Paiqi)	**47,951**	**5.5**	55,125	6.5	(13.0)
Non-antibiotics finished medicines	**127,024**	**14.7**	103,522	12.2	22.7
(Including: Dobesilate	**34,223**	**4.0**	25,076	3.0	36.5
Lixiding	**12,776**	**1.5**	10,266	1.2	24.4
Sales of bulk pharmaceuticals	**49,272**	**5.6**	43,673	5.2	12.8
Group's total sales	**866,347**	**100**	846,335	100	2.4

INTRAVENOUS INFUSION SOLUTION

The Group's intravenous infusion solution products were mainly manufactured and sold by Shijiazhuang No. 4 Pharma and there were 3 forms of packing in intravenous infusion products, namely Glass Bottle, PP Plastic Bottle and Non-PVC Soft Bag. Total sales of Shijiazhuang No. 4 Pharma for the six months ended 30 June 2009 was HK$320,173,000 (30 June 2008: HK$278,779,000), in which sales of intravenous infusion solution products accounted for HK$291,472,000 (30 June 2008: HK$249,298,000).

Among the intravenous infusion solution products; sales of PP Plastic Bottle and Non-PVC Soft Bag Infusion Solution was HK$203,711,000, an increase of 33.7% as compared with corresponding period of last year and accounted for 69.9% of total sales of intravenous infusion solution; sales of Glass Bottle Infusion Solution was HK$87,761,000, a decrease of 9.4% as compared with corresponding period of last year and accounted for 30.1% of total sales of intravenous infusion solution.

With the increasing demand in the high quality intravenous infusion solution products in the PRC, the Group will keep expanding its production capacity in the PP Plastic Bottle and Non-PVC Soft Bag production lines. It is believed that the intravenous infusion solution business will be the growth driver of the Group in the coming years.

ANTIBIOTICS

For the six months ended 30 June 2009, sales of Lijunsha decreased by 17.8% to HK$218,026,000 (30 June 2008: HK$265,194,000), sales of Paiqi decreased by 13.0% to HK$47,951,000 (30 June 2008: HK$55,125,000). Overall sales of antibiotics finished medicines decreased by 12.0% to HK$369,878,000 (30 June 2008: HK$420,361,000). Sales of antibiotics is recovering from the bottom in second half of last year. Although sales volume is less than that of corresponding period of last year, it could still meet our expected target.

Reliance of the Group's sales on antibiotics products continued to decrease. Sales proportion of antibiotics products to total Group's sales decreased from 49.6% for the six months ended 30 June 2008 to 42.7% for the six months ended 30 June 2009, and sales proportion of Lijunsha accounted for only 25.2% of the total Group's sales for the six months ended 30 June 2009, comparing to 31.3% in the same period last year.

NON-ANTIBIOTICS FINISHED MEDICINES

Due to the expanded sales network in small-to-medium sized cities and rural areas, sales of the Group's non-antibiotics finished medicines increased by 22.7% to HK$127,024,000 (30 June 2008: HK$103,522,000), sales of Dobesilate increased by 36.5% to HK$34,223,000 (30 June 2008: HK$25,076,000), sales of Lixiding increased by 24.4% to HK$12,776,000 (30 June 2008: HK$10,266,000).

BULK PHARMACEUTICALS

The sales of bulk pharmaceuticals for the six months ended 30 June 2009 amounted to HK$49,272,000, increased by 12.8% as compared to the corresponding period last year of HK$43,673,000.

COST OF GOODS SOLD AND GROSS PROFIT

Cost of goods sold increased by 0.5% to HK$443,739,000 for the six months ended 30 June 2009 as compared to the corresponding period last year of HK$441,446,000. The cost of direct materials, direct labour and other costs represented approximately 72%, 6% and 22% of the total cost of goods sold respectively, while their comparative percentage for 2008 were 76%, 6% and 18% respectively.

For the six months ended 30 June 2009, the Group recorded a total gross profit of HK$422,608,000. Overall gross profit margin had increased by 1 percentage point to 48.8% for the six months ended 30 June 2009, from 47.8% for the corresponding period last year.

SELLING AND MARKETING EXPENSES

For the six months ended 30 June 2009, selling and marketing expenses amounted to approximately HK$199,770,000 (30 June 2008: HK$183,630,000), which mainly consisted of advertising expenses of approximately HK$25,792,000 (30 June 2008: HK$34,138,000), sales commission of approximately HK$97,167,000 (30 June 2008: HK$77,530,000), salary expenses of sales and marketing staff of approximately HK$25,931,000 (30 June 2008: HK$27,388,000) and transportation cost of approximately HK$25,083,000 (30 June 2008: HK$25,384,000).

Selling and marketing expenses increased by 8.8% for the six months ended 30 June 2009 as compared with that of the corresponding period last year.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the six months ended 30 June 2009 was HK$83,371,000 (30 June 2008: HK$83,905,000), decreased by 0.6% as compared to that of the corresponding period last year.

General and administrative expenses mainly comprised of salaries of approximately HK$32,686,000 (30 June 2008: HK$32,992,000) and depreciation and amortisation of approximately HK$21,001,000 (30 June 2008: HK$12,698,000).

OPERATING PROFIT

For the six months ended 30 June 2009, the Group's operating profit amounted to HK$147,578,000 representing a decrease of 1.1% as compared to that of the corresponding period last year, whereas operating profit margin (defined as operating profit divided by total sales) decreased from 17.6% to 17.0%.

FINANCE COSTS

The Group's finance costs for the period amounted to HK$20,523,000 (30 June 2008: HK$24,214,000), of which HK$13,776,000 (30 June 2008: HK$15,914,000) related to bank borrowings and HK$6,393,000 (30 June 2008: HK$8,143,000) related to convertible bonds. The decrease of HK$3,691,000 in finance costs as compared to that of the corresponding period last year was due to the decrease in bank loan and interest rate as well as decrease in convertible bonds.

INCOME TAX EXPENSE

Both Xi'an Lijun Pharmaceutical Co., Ltd. ("Xi'an Lijun") and Shijiazhuang No. 4 Pharma are entitled to a 50% reduction in the enterprise income tax for the years from 2007 to 2009. For the six months ended 30 June 2009, the overall income tax expense amounted HK$15,131,000 (30 June 2008: HK$15,390,000).

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

The profit attributable to equity holders of the Company for the six months ended 30 June 2009 decreased by 3.6% to HK$112,179,000 while net profit margin (defined as profit attributable to equity holders of the Company for the period divided by total sales) decreased to 12.9% from 13.8% for the corresponding period last year.

Profit attributable to equity holders of the Company in the full year of 2008 amounting to HK$102,106,000, net profit margin is 6.4%.

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 2009, the cash and cash equivalents aggregated to HK$168,500,000 (31 December 2008: HK$219,453,000), comprising HK$13,125,000 (31 December 2008: HK$40,510,000) of cash and cash equivalents denominated in Hong Kong dollars, HK$154,472,000 (31 December 2008: HK$176,030,000) in RMB and HK$903,000 (31 December 2008: HK$2,913,000) in other currencies.

As at 30 June 2009, the Group has restricted deposits amounting to HK$8,662,000 (31 December 2008: HK$16,232,000) as guarantee of the bank borrowings.

The carrying amounts of the borrowings (including convertible bonds) amounting to HK$659,697,000 (31 December 2008: HK$723,112,000) as at 30 June 2009, comprising HK$117,000,000 (31 December 2008: HK$159,500,000) of borrowings denominated in Hong Kong dollars and HK$542,697,000 (31 December 2008: HK$563,612,000) in RMB.

Gearing ratio (defined as bank borrowings and convertible bonds less pledged bank deposits and cash and cash equivalents divided by total equity less minority interests) decreased from 35.6% as at 31 December 2008 to 33.0% as at 30 June 2009.

Current ratio (defined as current assets divided by current liabilities) increased from 1.04 as at 31 December 2008 to 1.13 as at 30 June 2009.

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 2009, the Group's restricted deposits of HK$8,547,000 and land use rights, property, plant and equipment with the net book amount of approximately HK$65,562,000 and HK$237,495,000 respectively were pledged as collateral for the Group's bank borrowings.

CONTINGENT LIABILITIES

As at 30 June 2009, the Group did not have any significant contingent liabilities.

INTERIM DIVIDEND

The Directors resolved to pay on 6 November 2009 an interim dividend of HK$0.02 per share (amounting to a total of approximately HK$40,540,000) for the six months ended 30 June 2009 to the shareholders named in the register of members of the Company on 9 October 2009. The interim dividend represents a payout rate of 36.1% of net profit attributable to the equity holders of the Company for the six months ended 30 June 2009.

EXCHANGE RATE

As at 2009 and 2008, the exchange rates of converting HK$ into RMB (as calculated in HK$) were:

1 January 2008	0.93638
30 June 2008	0.87917
31 December 2008	0.88189
30 June 2009	0.88153

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its Shares during the period. 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 2009.

SHARE OPTION SCHEME

Pursuant to a share option scheme approved by a written resolution of all shareholders of the Company on 16 October 2005 ("Scheme"), the Company may grant options to, amongst others, the directors or employees of the Company or its subsidiaries, in recognition of their contributions to the Group, to subscribe for the shares. The offer for grant of options ("Offer") must be taken up within 28 days from the date of Offer, with a payment of HK$1.00 as consideration for the grant. The exercise price of the share option will be determined at the higher of (i) the average closing prices of Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of Offer; (ii) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of Offer; and (iii) the nominal value of the shares. The share options are exercisable at any time during a period of not more than 10 years from the date of Offer, subject to the terms and conditions of the Scheme and any conditions of grant as may be stipulated by the Board. Unless terminated by the Company by resolution in general meeting, the Scheme shall be valid and effective for a period of 10 years commencing on the date on which the Scheme becomes unconditional.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes shall not exceed 30% of the issued share capital of the Company from time to time. The total number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes must not, in aggregate, exceed 10% of the number of Shares in issue as at the date dealings in the Shares first commence on the Stock Exchange unless further shareholders' approval has been obtained pursuant to the conditions set out in the Scheme. The total number of Shares issued and to be issued upon exercise of all options granted under the Scheme and any other schemes (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company.

As at 7 August 2008, the Company granted 100,000,000 share options, representing about 4.93% of the issued share capital as at the date immediately before the options were granted to directors and senior management of the Group. The exercise price was HK$0.7. As at 30 June 2009, all options granted had not been exercised. Details are set out in note 7 to the Condensed Consolidated Interim Financial Information.

EMPLOYEES AND REMUNERATION POLICY

The remuneration of the directors is determined by the Board, with reference to the prevailing market practice, the Company's remuneration policy, duties of the Directors and their contributions to the Group.

As at 30 June 2009, the Group had approximately 3,600 employees, most of whom were members of the Group's production team based in the PRC. The number of workers employed by the Group varies from time to time depending on its needs and the remuneration policy of employees is based on industry practice.

The remuneration policy of the Group's employees are periodically reviewed. Apart from social insurance and in-house training programmes, discretionary bonuses and share options may be awarded to employees according to the assessment of individual performance.

The total remuneration cost incurred by the Group for the six months ended 30 June 2009 was HK$101,041,000 (30 June 2008: HK$103,097,000).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARES

As at 30 June 2009, the interests of the Directors in the share capital of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") in Appendix 10 of the Listing Rules once the Shares are listed, were as follows:

Long positions in the shares of the Company

Name of Director	Capacity	Number of shares held	Approximate percentage of the issued share capital of the Company
Mr. Wu Qin	Beneficial owner *(Note 1)*	22,420,000	1.11%
Mr. Qu Jiguang	Interest in a controlled corporation *(Note 2)*	571,500,000	28.19%
	Beneficial owner *(Note 3)*	7,000,000	0.35%
Mr. Huang Chao	Beneficial owner *(Note 3)*	5,000,000	0.25%
Mr. Xie Yunfeng	Beneficial owner *(Note 3)*	7,000,000	0.35%
Mr. Wang Xianjun	Beneficial owner *(Note 3)*	6,000,000	0.30%
Mr. Duan Wei	Beneficial owner *(Note 3)*	7,000,000	0.35%

Notes:

1. Among the 22,420,000 shares, 7,000,000 shares represent the underlying interest in shares of the Company pursuant to options granted to Mr. Wu Qin on 7 August 2008 under the Share Option Scheme.

2. These shares were registered in the name of and beneficially owned by China Pharmaceutical Company Limited ("CPCL"). CPCL is held as to 72.93% by Mr. Qu Jiguang and as to 27.07% by 39 other shareholders. By virtue of Part XV of the SFO, Mr. Qu Jiguang is deemed to be interested in the Shares held by CPCL.

3. These shares represent the underlying interests in shares of the Company pursuant to options granted to the respective Directors on 7 August 2008 under the Share Option Scheme.

Save as disclosed above, as at 30 June 2009, none of the Directors or chief executives of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company or the Stock Exchange pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (b) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN THE SHARES

The register of substantial shareholders required to be kept by the Company under section 336 of the SFO shows that as at 30 June 2009, the Company had been notified of the following interests and short positions, being 5% or more in the issued share capital of the Company. These interests are in addition to those disclosed above in respect of the Directors and chief executives.

Long positions in the shares of the Company

Name of Shareholder	Capacity	Number of shares	% of the issued share capital of the Company
Prime United Industries Limited *(Note 1)*	Beneficial owner	634,345,000	31.29%
CPCL *(Note 2)*	Beneficial owner	571,500,000	28.19%
Mr. Qu Jiguang	Interest of controlled corporation *(Note 2)*	571,500,000	28.19%
	Beneficial owner *(Note 3)*	7,000,000	0.35%
Victory Rainbow Investment Limited *(Note 4)*	Beneficial owner	291,500,000	14.38%
Grand Ocean Shipping Company Ltd. *(Note 4)*	Interest of controlled corporation	291,500,000	14.38%
Ms. Chen Lin-Dong *(Note 4)*	Interest of controlled corporation	291,500,000	14.38%
Mr. Xu Ming *(Note 4)*	Interest of controlled corporation	291,500,000	14.38%

Notes:

(1) Prime United Industries Limited is held as to about 2.43% by Mr. Wu Qin, an executive Director, as to about 2.41% by Mr. Huang Chao, an executive Director, as to about 4% by Mr. Xie Yunfeng, an executive Director, as to about 4% by Ms. Han Yamei, a member of the management of Xi'an Lijun and as to about 84.73% by Mr. Wu Qin, Mr. Huang Chao, Mr. Xie Yunfeng and Ms. Han Yamei who jointly hold such shares on trust for 4,536 individuals who are present and former employees or their respective estates of Xi'an Lijun and Rejoy Group Limited Liability Company ("Rejoy Group"). Mr. Wu Qin, Mr. Huang Chao and Mr. Xie Yunfeng, the executive Directors, are also directors of Prime United Industries Limited. Xi'an Lijun is a company established in the PRC with limited liability and wholly-owned by the Company. Rejoy Group is a company established in the PRC with limited liability and 100% owned by State-owned Assets Supervision and Administration Commission of the People's Government of Xian.

(2) CPCL is held as to 72.93% by Mr. Qu Jiguang and as to 27.07% by 39 other shareholders. By virtue of Part XV of the SFO, Mr. Qu Jiguang is deemed to be interested in the Shares held by CPCL.

(3) These shares represent the underlying interest on shares of the Company pursuant to options granted to Mr. Qu Jiguang on 7 August 2008 under the Share Option Scheme.

(4) Victory Rainbow Investment Limited is wholly-owned by Grand Ocean Shipping Company Ltd., a company incorporated in the Republic of Liberia, which in turn is owned as to 50% by Ms. Chen Lin-Dong and 50% by Mr. Xu Ming. By virtue of Part XV of the SFO, each of Grand Ocean Shipping Company Ltd., Ms. Chen Lin-Dong and Mr. Xu Ming is deemed to be interested in the shares held by Victory Rainbow Investment Limited.

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 2009.

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 2009, 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 2009 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 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 7 October, 2009 to Friday, 9 October, 2009 (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 Shops 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 6 October, 2009.

On behalf of the Board
Wu Qin
Chairman

Hong Kong, 28 August 2009

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF
LIJUN INTERNATIONAL PHARMACEUTICAL (HOLDING) CO., LTD.
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 23 to 54, which comprises the condensed consolidated balance sheet of Lijun International Pharmaceutical (Holding) Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2009 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 August 2009

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

(All amounts in Hong Kong dollars ("HK$") thousands unless otherwise stated)

	Note	**30 June 2009 Unaudited**	31 December 2008 Audited
ASSETS			
Non-current assets			
Land use rights	*5*	**211,496**	214,036
Property, plant and equipment	*5*	**818,276**	792,855
Intangible assets	*5*	**557,961**	566,440
Deferred income tax assets		**14,060**	15,626
Available-for-sale financial assets		**146**	146
Total non-current assets		**1,601,939**	1,589,103
Current assets			
Inventories		**213,550**	225,783
Trade and bill receivables	*6*	**419,170**	414,103
Financial assets at fair value through profit or loss		**1,617**	2,608
Prepayments, deposits and other receivables		**58,850**	44,165
Pledged bank deposits		**8,662**	16,232
Cash and cash equivalents		**168,500**	219,453
Total current assets		**870,349**	922,344
Total assets		**2,472,288**	2,511,447
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	*7*	**46,979**	46,959
Reserves	*8*	**1,413,052**	1,321,885
		1,460,031	1,368,844
Minority interest		**987**	945
Total equity		**1,461,018**	1,369,789

	Note	30 June 2009 Unaudited	31 December 2008 Audited
LIABILITIES			
Non-current liabilities			
Borrowings	*11*	**70,188**	62,428
Convertible bonds	*16*	**113,897**	132,720
Deferred income tax liabilities		**35,468**	37,019
Deferred revenue		**4,651**	4,649
Long-term payables	*9*	**16,230**	15,661
Total non-current liabilities		**240,434**	252,477
Current liabilities			
Trade and bill payables	*10*	**161,355**	143,046
Advanced receipts from customers		**21,717**	15,978
Accruals and other payables		**102,402**	195,876
Income tax payable		**9,750**	6,317
Borrowings	*11*	**475,612**	527,964
Total current liabilities		**770,836**	889,181
Total liabilities		**1,011,270**	1,141,658
Total equity and liabilities		**2,472,288**	2,511,447
Net current assets		**99,513**	33,163
Total assets less current liabilities		**1,701,452**	1,622,266

WU QIN
DIRECTOR

QU JIGUANG
DIRECTOR

The accompanying notes form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

(All amounts in Hong Kong dollars ("HK$") thousands unless otherwise stated)

		Six months ended 30 June	
	Note	**2009 Unaudited**	2008 Unaudited
Revenue	*4*	**866,347**	846,335
Cost of sales		**(443,739)**	(441,466)
Gross profit		**422,608**	404,869
Other gains – net		**8,111**	11,869
Selling and marketing costs		**(199,770)**	(183,630)
General and administrative expenses		**(83,371)**	(83,905)
Operating profit	*12*	**147,578**	149,203
Finance income		**297**	6,788
Finance costs		**(20,523)**	(24,214)
Finance costs – net		**(20,226)**	(17,426)
Profit before income tax		**127,352**	131,777
Income tax expenses	*13*	**(15,131)**	(15,390)
Profit for the period		**112,221**	116,387
Other comprehensive income:			
Currency translation differences		**581**	81,985
Total comprehensive income for the period		**112,802**	198,372
Profit attributable to:			
– Equity holders of the Company		**112,179**	116,390
– Minority interest		**42**	(3)
		112,221	116,387

		Six months ended 30 June	
	Note	**2009 Unaudited**	2008 Unaudited
Total comprehensive income attributable to:			
– Equity holders of the Company		**112,760**	198,323
– Minority interest		**42**	49
		112,802	198,372
Dividends	*14*	**40,540**	12,162
Earnings per share for profit attributable to the equity holders of the Company during the period *(expressed in HK$ per share)*			
– Basic	*15*	**0.0553**	0.0574
– Diluted	*15*	**0.0553**	0.0567

The accompanying notes form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(All amounts in Hong Kong dollars ("HK$") thousands unless otherwise stated)

		Unaudited				
		Attributable to equity holders of the Company				
	Note	Share capital	Reserves	Total	Minority interest	Total equity
Balance at 1 January 2009		46,959	1,321,885	1,368,844	945	1,369,789
Redemption of convertible bonds		–	(1,303)	(1,303)	–	(1,303)
Dividends paid to equity holders of the Company		–	(20,270)	(20,270)	–	(20,270)
Profit for the period		–	112,179	112,179	42	112,221
Currency translation differences		20	561	581	–	581
Balance at 30 June 2009		46,979	1,413,052	1,460,031	987	1,461,018
Balance at 1 January 2008		44,080	1,151,216	1,195,296	800	1,196,096
Issue of shares – Conversion of convertible bonds	*16*	147	5,781	5,928	–	5,928
Dividends paid to equity holders of the Company		–	(12,162)	(12,162)	–	(12,162)
Profit for the period		–	116,390	116,390	(3)	116,387
Currency translation differences		2,877	79,056	81,933	52	81,985
Balance at 30 June 2008		47,104	1,340,281	1,387,385	849	1,388,234

The accompanying notes form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

(All amounts in Hong Kong dollars ("HK$") thousands unless otherwise stated)

	Six months ended 30 June	
	2009	2008
	Unaudited	Unaudited
Cash flows from operating activities – net	**169,736**	75,577
Cash flows used in investing activities – net	**(139,631)**	(74,992)
Cash flows (used in)/from financing activities – net	**(81,136)**	20,440
Net (decrease)/increase in cash and cash equivalents	**(51,031)**	21,025
Cash and cash equivalents at 1 January	**219,453**	98,983
Effect of foreign exchange rate changes	**78**	7,126
Cash and cash equivalents at 30 June	**168,500**	127,134

The accompanying notes form an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in Hong Kong dollars ("HK$") thousands unless otherwise stated)

1 GENERAL INFORMATION

Lijun International Pharmaceutical (Holding) Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") are engaged in the research, development, manufacturing and selling of a wide range of finished medicines and bulk pharmaceutical products to hospitals and distributors. The Group has manufacturing plants in Hebei Province and Shaanxi Province, the People's Republic of China ("Mainland China"), and sells to customers mainly in the Mainland China.

The Company is an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands. The address of the Company's registered office is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company's shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 20 December 2005.

This condensed consolidated interim financial information is presented in Hong Kong dollars ("HK$"), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Company's Board of Directors on 28 August 2009.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2009 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 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3 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 2008, 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.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009:

- HKAS 1 (revised), "Presentation of financial statements". The revised standard prohibits the presentation of items of income and expenses (that is "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All "non-owner changes in equity" are required to be shown in a performance statement.

  Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

  The Group has elected to present one statement: the statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

3 **ACCOUNTING POLICIES** *(Continued)*

- HKFRS 8, "Operating segments". HKFRS 8 replaces HKAS 14, "Segment reporting". It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. It is not expected to have a material impact on the number of reportable segments as well as the manner in which the segments are reported.

  Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the executive directors that make strategic decisions.

  Goodwill is allocated by management to groups of cash-generating units on a segment level. Goodwill relating to a previous acquisition within the intravenous infusion solution segment remains in that segment.

- Amendment to HKFRS 7, "Financial instruments: disclosures". The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements ending 31 December 2009.

3 ACCOUNTING POLICIES *(Continued)*

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009 but are not currently relevant for the Group.

- HKAS 23 (amendment), "Borrowing costs".
- HKFRS 2 (amendment), "Share-based payment".
- HKFRS 32 (amendment), "Financial instruments: presentation".
- HK(IFRIC) 9 (amendment), "Reassessment of embedded derivatives" and HKAS 39 (amendment), "Financial instruments: Recognition and measurement".
- HK(IFRIC) 13, "Customer loyalty programmes".
- HK(IFRIC) 15, "Agreements for the construction of real estate".
- HK(IFRIC) 16, "Hedges of a net investment in a foreign operation".
- HKAS 39 (amendment), "Financial instruments: Recognition and measurement".

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2009 and have not been early adopted:

- Amendment to HKAS 39, "Financial instruments: Recognition and measurement" on eligible hedged items, effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it does not have any hedged items.
- 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. Management is assessing the impact of the new requirements regarding consolidation on the Group. The Group does not have any joint ventures and associates.

3 ACCOUNTING POLICIES *(Continued)*

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the minority interest in the acquiree either at fair value or at the minority interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (revised) to all business combinations from 1 January 2010.

- HK(IFRIC) 17, "Distributions of non-cash assets to owners", 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.

- HK(IFRIC) 18, "Transfers of assets from customers", effective for transfer of assets received on or after 1 July 2009. This is not relevant to the Group, as it has not received any assets from customers.

HKICPA's improvements to HKFRS published in May 2009:

- Amendment to HKFRS 2 "Share-based payments", effective for periods beginning on or after 1 July 2009. This clarification confirms that HKFRS 3 (revised) does not change the scope of HKFRS 2. This is not currently relevant for the Group as it has not issued equity instruments for business combination under common control or for the formation of a joint venture.

- Amendment to HKFRS 5 "Non-current Assets held for sale and discontinued operations", effective for periods beginning on or after 1 January 2010. Disclosures in standards other than HKFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those HKFRSs specifically require disclosures for them. Additional disclosures about these assets or discontinued operations may be necessary to comply with the general requirements of HKAS 1 "Presentation of financial statements". The Group will apply HKFRS 5 (amendment) from 1 January 2010.

3 ACCOUNTING POLICIES *(Continued)*

- Amendment to HKFRS 8 "Operating segments", effective for periods beginning on or after 1 January 2010. Disclosure of information about total assets and liabilities for each reportable segment is required only if such amounts are regularly provided to the chief operating decision-maker. The Group will apply HKFRS 8 (amendment) from 1 January 2010.

- Amendment to HKAS 1 "Presentation of financial statements", effective for periods beginning on or after 1 January 2010. Current/non-current classification of the liability component of convertible instruments is not affected by the holder's option which will result in the settlement by the issuance of equity instruments. The Group will apply HKAS 1 (amendment) from 1 January 2010.

- Amendment to HKAS 7 "Statement of cash flows", effective for periods beginning on or after 1 January 2010. Only expenditures that result in a recognised asset are eligible for classification as investing activities. The Group will apply HKAS 7 (amendment) from 1 January 2010.

- Amendment to HKAS 17 "Leases", effective for periods beginning on or after 1 January 2010. The Group will apply HKAS 17 (amendment) from 1 January 2010.

- Amendment to HKAS 36 "Impairment of assets", effective for periods beginning on or after 1 January 2010. This clarifies that the largest unit permitted for the goodwill impairment test is the lowest level of operating segment before any aggregation as defined in HKFRS 8. The amendment does not have any impact on the Group's financial statements.

- Amendment to HKAS 38 "Intangible assets", effective for periods beginning on or after 1 July 2009. This clarifies the description of the valuation techniques commonly used to measure intangible assets acquired in a business combination when they are not traded in an active market. In addition, an intangible asset acquired in a business combination might be separable but only together with a related contract, identifiable asset or liability. In such cases, the intangible asset is recognised separately from goodwill but together with the related item. The Group will apply HKAS 38 (amendment) from 1 January 2010.

3 **ACCOUNTING POLICIES** *(Continued)*

- Amendment to HKAS 39 "Financial instruments: recognition and measurement", effective for periods beginning on or after 1 January 2010. Loan prepayment penalties are treated as closely related embedded derivatives, only if the penalties are payments that compensate the lender for loss of interest by reducing the economic loss from reinvestment risk. In addition, the scope exemption to business combination contracts only applies to forward contracts that are firmly committed to be completed between the acquirer and a selling shareholder to buy or sell an acquiree in a business combination at a future acquisition date. Therefore option contracts are not in this scope exemption. This amendment also clarifies that in a cash flow hedge of a forecast transaction that a reclassification of the gains or losses on the hedged item from equity to profit or loss is made during the period the hedged forecast cash flows affect profit or loss. This is not currently relevant for the Group as it does not have such financial instruments.

- Amendment to HK(IFRIC) 9 "Reassessment of embedded derivatives", effective for periods beginning on or after 1 July 2009. This amendment aligns the scope of HK(IFRIC) 9 to the scope of HKFRS 3 (revised): the interpretation does not apply to embedded derivatives in contracts acquired in a business combination, a common control combination or the formation of a joint venture. This is not currently relevant for the Group as it does not have such derivatives.

- Amendment to HK(IFRIC) 16 "Hedges of a net investment in a foreign operation", effective for periods beginning on or after 1 July 2009. This amendment removes the restriction on the entity that can hold hedging instruments in a net investment hedge. The hedging instruments can be held by the foreign operation that itself is being hedged. This is not currently relevant for the Group as it does not have such hedge.

4 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 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 contributed by 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 and deferred income tax assets.

Segment liabilities comprise mainly operating liabilities. Unallocated liabilities mainly comprise deferred income tax liabilities, corporate borrowings and convertible bonds.

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.

4 SEGMENT INFORMATION *(Continued)*

	Unaudited			
	Intravenous infusion solution	Antibiotics and others	Unallocated	Total
Six months ended 30 June 2009				
Revenue	320,173	546,174	–	866,347
Operating profit/(loss) segment results	79,522	70,134	(2,078)	147,578
Finance income	85	201	11	297
Finance costs	(8,078)	(4,760)	(7,685)	(20,523)
Profit before income tax	71,529	65,575	(9,752)	127,352
Income tax expenses	(5,158)	(9,906)	(67)	(15,131)
Profit for the period	66,371	55,669	(9,819)	112,221
Six months ended 30 June 2008				
Revenue	278,779	567,556	–	846,335
Operating profit/(loss) segment results	74,073	85,712	(10,582)	149,203
Finance income	172	294	6,322	6,788
Finance costs	(5,023)	(9,240)	(9,951)	(24,214)
Profit before income tax	69,222	76,766	(14,211)	131,777
Income tax expenses	(3,370)	(12,020)	–	(15,390)
Profit for the period	65,852	64,746	(14,211)	116,387

4 SEGMENT INFORMATION *(Continued)*

	Unaudited			
	Intravenous infusion solution	Antibiotics and others	Unallocated	Total
As at 30 June 2009				
Total assets	1,409,875	1,043,633	18,780	2,472,288
Total liabilities	369,776	408,941	232,553	1,011,270

	Audited			
	Intravenous infusion solution	Antibiotics and others	Unallocated	Total
As at 31 December 2008				
Total assets	1,367,351	1,090,135	53,961	2,511,447
Total liabilities	364,093	479,095	298,470	1,141,658

5 CAPITAL EXPENDITURE

	Goodwill	Other intangible assets	Property, plant and equipment	Land use rights
Six months ended 30 June 2009				
Opening net book amount as at 1 January 2009	455,586	110,854	792,855	214,036
Additions	–	94	63,896	–
Disposals	–	–	(4,255)	–
Depreciation/Amortisation	–	(8,803)	(34,550)	(2,627)
Exchange differences	186	44	330	87
Closing net book amount as at 30 June 2009 (unaudited)	455,772	102,189	818,276	211,496
Six months ended 30 June 2008				
Opening net book amount as at 1 January 2008	429,075	120,998	719,605	68,032
Additions	–	–	101,651	–
Disposals	–	–	(72,496)	–
Disposals resulting from disposing of a subsidiary	–	(11)	(36,036)	(4,310)
Depreciation/Amortisation	–	(1,912)	(27,352)	(810)
Exchange differences	27,920	7,811	46,886	4,401
Closing net book amount as at 30 June 2008 (unaudited)	456,995	126,886	732,258	67,313

5 CAPITAL EXPENDITURE *(Continued)*

Certain equipment with cost of HK$99,262,000 was originally estimated to have a useful life of 7 to 10 years. Depreciation has been calculated on a straight-line basis. The management has re-estimated the useful lives of such equipment. The Group revised estimated useful lives of such equipment from 7-10 years to 10-14 years with effect from 1 January 2009. This change in accounting estimate resulted in net profit for the six months ended 30 June 2009 being increased by about HK$2,800,000.

As at 30 June 2009, the Group's land use rights and property, plant and equipment with net book amount of HK$65,562,000 (31 December 2008: HK$55,881,000) and HK$237,495,000 (31 December 2008: HK$245,190,000) respectively were pledged as collateral for the Group's bank borrowings *(Note 11)*.

6 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:

	30 June 2009 Unaudited	31 December 2008 Audited
Within 3 months	**361,859**	317,027
4 to 6 months	**34,464**	68,229
7 to 12 months	**14,757**	33,018
1 to 2 years	**29,013**	16,547
2 to 3 years	**1,795**	1,351
More than 3 years	**597**	696
	442,485	436,868
Less: Provision for impairment	**(23,315)**	(22,765)
	419,170	414,103

7 SHARE CAPITAL

	Number of shares (thousands)	Ordinary shares Amount
Authorised		
At 30 June 2008 and 2009 (ordinary shares of HK$0.02 each)	10,000,000	200,000
Issued and fully paid up		
At 1 January 2008	2,019,652	44,080
Issue of shares – Conversion of convertible bonds	7,351	147
Currency translation differences	–	2,877
At 30 June 2008 (unaudited)	2,027,003	47,104
At 1 January 2009	2,027,003	46,959
Currency translation differences	–	20
At 30 June 2009 (unaudited)	2,027,003	46,979

During the six months ended 30 June 2008, convertible bonds amounting to Renminbi ("RMB") 6,000,000 were converted into 7,351,000 ordinary shares at the fixed exchange rate of HK$1 to RMB0.98339 and the fixed conversion price of HK$0.83 per share.

Share option scheme

The Group has adopted a share option scheme, which will remain in force for 3 years up to August 2011. Share Options may be granted to any directors, employees of the Group. The exercise price is determined by the Board and shall not be less than the higher of (i) the closing price of one share as stated in the daily quotation sheets issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of offer, which shall be a business day; (ii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer, and (iii) the nominal value of the share. The Group has no legal or constructive obligation to repurchase or settle these options in cash.

7 SHARE CAPITAL *(Continued)*

Share option scheme *(Continued)*

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.

The fair value of the share options granted, determined using the Binomial valuation model, was approximately HK$15,346,000. The significant inputs into the model are share price of HK$0.7 at the grant date, exercise price of HK$0.7, volatility of 43.6%, expected dividends paid out rate of 2.4%, and annual risk-free interest rate of 2.7%. The volatility, measured at the standard deviation of expected share price returns, is based on statistical analysis of daily share prices of the Company and other comparable companies over the last five years.

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

		Share options	
		30 June	**31 December**
	Exercise price	**2009**	**2008**
Expiry date	**per share**	**Unaudited**	**Audited**
	HK$	(thousands)	(thousands)
6 August 2011	0.7	100,000	100,000

No share option has been exercised during the six months ended 30 June 2009.

8 RESERVES

	Share premium	Capital reserve	Equity component of convertible bonds	Statutory reserves	Share-based payment reserve	Retained earnings	Total
				Unaudited			
At 1 January 2009	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
At 30 June 2009	737,833	175,338	5,727	115,124	15,290	363,740	1,413,052
At 1 January 2008	688,092	165,067	8,840	94,880	–	194,337	1,151,216
Issue of shares							
– Conversion of convertible bonds	6,544	–	(763)	–	–	–	5,781
Dividends paid to equity holders of the Company	–	–	–	–	–	(12,162)	(12,162)
Profit for the period	–	–	–	–	–	116,390	116,390
Currency translation differences	45,178	10,741	529	6,174	–	16,434	79,056
At 30 June 2008	739,814	175,808	8,606	101,054	–	314,999	1,340,281

9 LONG-TERM PAYABLES

Long-term payables represent the present value of the Group's obligations for post-employment benefits. The maturity profile of the long-term payables is as follows:

	30 June 2009 Unaudited	31 December 2008 Audited
Within 1 year	**2,580**	3,847
Between 1 to 2 years	**1,586**	2,345
Between 2 to 5 years	**2,794**	4,198
More than 5 years	**11,850**	9,118
	18,810	19,508
Less: Current portion included in current liabilities	**(2,580)**	(3,847)
	16,230	15,661

10 TRADE AND BILL PAYABLES

Ageing analysis of trade and bill payables is as follows:

	30 June 2009 Unaudited	31 December 2008 Audited
Within 3 months	**112,320**	108,658
4 to 6 months	**28,918**	18,929
7 to 12 months	**11,827**	6,648
1 to 3 years	**6,440**	6,234
More than 3 years	**1,850**	2,577
	161,355	143,046

11 BORROWINGS

	30 June 2009 Unaudited	31 December 2008 Audited
Non-current		
Non-current portion of long-term bank borrowings	**70,188**	62,428
Current		
Current portion of long-term bank borrowings	**80,844**	66,089
Short-term bank borrowings	**394,768**	461,875
	475,612	527,964
Total borrowings	**545,800**	590,392
Representing:		
Unsecured	**369,362**	376,964
Secured (i)	**176,438**	144,732
Guaranteed	**–**	68,696
	545,800	590,392

(i) As at 30 June 2009, certain of the Group's borrowings were secured by the Group's land use rights with a net book amount of HK$65,562,000 (31 December 2008: HK$55,881,000), the Group's property, plant and equipment with a net book amount of HK$237,495,000 (31 December 2008: HK$245,190,000), and the Group's pledged bank deposits of HK$8,547,000 (31 December 2008: HK$8,542,000).

Interest expense on bank borrowings for the six months ended 30 June 2009 is HK$13,776,000 (six months ended 30 June 2008: HK$15,914,000).

12 OPERATING PROFIT

The following items have been charged/(credited) to the operating profit during the six months ended 30 June 2009 and 2008:

	Six months ended 30 June	
	2009	2008
	Unaudited	Unaudited
Gain on disposal of property, plant and equipment	**115**	2,099
Depreciation of property, plant and equipment	**34,550**	27,352
(Reversal of)/Provision for impairment of inventories	**(5,901)**	4,144
Provision for impairment of receivables	**1,094**	2,208
Amortisation of intangible assets	**8,803**	1,912
Amortisation of land use rights	**2,627**	810
Foreign exchange (gain)/loss, net	**(132)**	6,137

13 INCOME TAXES

The Company is 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.

13 INCOME TAXES *(Continued)*

Subsidiaries established and operated in Mainland China are subject to Mainland China Enterprise Income Tax ("EIT") at a rate of 25% for the six months ended 30 June 2009 (six months ended 30 June 2008: 25%). Xi'an Lijun Pharmaceutical Co., Ltd. ("Xi'an Lijun") and Shijiazhuang No. 4 Pharmaceutical Co., Ltd., ("No. 4 Pharm") being wholly foreign owned enterprises, have obtained approvals from the relevant Mainland China Tax Bureau for their entitlement of exemption from EIT for the first two years and 50% reduction in EIT for the next three years, commencing from the earlier of first profitable year after offsetting all unexpired tax losses carried forward from the previous years or 1 January 2008, in accordance with the relevant tax rules and regulations applicable to foreign investment enterprises in Mainland China. The applicable tax rate for Xi'an Lijun and No. 4 Pharm is 12.5% (six months ended 30 June 2008: 12.5%).

	Six months ended 30 June	
	2009	2008
	Unaudited	Unaudited
Current income tax	**14,849**	14,774
Deferred income tax	**282**	616
	15,131	15,390

14 DIVIDENDS

	Six months ended 30 June	
	2009	2008
	Unaudited	Unaudited
Interim dividend, declared, of HK2 cents (six months ended 30 June 2008: HK0.6 cent) per ordinary share	**40,540**	12,162

At a meeting held on 28 August 2009, the directors recommend the payment of an interim dividend of HK2 cents per ordinary share, totaling HK$40,540,000 in respect of the six months ended 30 June 2009. 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 2009.

15 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company of approximately HK$112,179,000 (six months ended 30 June 2008: HK$116,390,000) by the weighted average number of 2,027,003,000 (six months ended 30 June 2008: 2,026,677,000) 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 only two categories of dilutive potential ordinary shares: convertible bonds and 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. For 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 above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended 30 June	
	2009	2008
	Unaudited	Unaudited
Profit attributable to equity holders of the Company	**112,179**	116,390
Interest expense on convertible bonds	**6,393**	8,143
Adjusted profit attributable to equity holders of the Company	**118,572**	124,533
Weighted average number of ordinary shares in issue (thousands)	**2,027,003**	2,026,677
Adjustments for assumed conversion of convertible bonds (thousands)	**110,265**	171,523
Adjustment for share options (thousands)	**–**	–
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**2,137,268**	2,198,200
Recalculated earnings per share (HK$ per share)	**0.0555**	0.0567
Diluted earnings per share as reflected on the comprehensive income statement (HK$ per share)	**0.0553**	0.0567

15 EARNINGS PER SHARE *(Continued)*

During the six months ended 30 June 2009, the dilutive effect of convertible bonds and share options are anti-dilutive.

16 CONVERTIBLE BONDS

On 30 May 2007, the Company issued zero-coupon convertible bonds with total principal amount of RMB160,000,000, to be matured on 30 May 2010. The conversion price was initially set as HK$4.15 per share at a fixed exchange rate of HK$1 to RMB0.98339, and such conversion price has been adjusted to HK$0.83 per share effective from 28 August 2007 as a consequence of the Company's share sub-division. Unless previously redeemed or converted, the Company has to redeem the convertible bonds at 121.1547% of their principal amount on the maturity date.

The fair values of the liability component and the equity conversion component were determined upon issuance of the convertible bonds. The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of equity conversion component, was included in reserves.

Liability component on 30 May 2007 was calculated as follows:

Face value of convertible bonds issued on 30 May 2007	162,702
Equity component	(11,230)
Liability component on 30 May 2007	151,472
Less: Cost of issue	(2,164)
	149,308

16 CONVERTIBLE BONDS *(Continued)*

The amount of convertible bonds recognised in the balance sheet is calculated as follows:

	Six months ended 30 June	
	2009	2008
	Unaudited	Unaudited
Beginning of the period	**132,720**	151,135
Interest expense	**6,393**	8,143
Converted into ordinary shares	**–**	(5,928)
Redemption	**(25,261)**	–
Exchange differences	**45**	9,906
End of the period	**113,897**	163,256

On 8 June 2009, the Company redeemed and thereafter cancelled convertible bonds with a principal amount of RMB20,000,000 (equivalent to HK$22,679,000) for a consideration of HK$21,200,000.

The fair value of the liability component of the convertible bonds outstanding at 30 June 2009 amounted to HK$115,827,000 (30 June 2008: HK$161,211,000), based on market interest rate of 3.9% (30 June 2008: 6.0%) per annum.

17 RELATED-PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

(a) The directors are of the view that the following companies are related parties of the Group:

Name	Relationship
Rejoy Group Limited Liability Company ("Rejoy Group")	An entity significantly influenced by certain key management personnel of the Group
Xi'an Rejoy Technology Investment Co., Ltd. ("Rejoy Technology")	Majority owned by shareholders of Prime United Industries Limited ("PUI"), which owns approximately 31.3% interest in the Company as at 30 June 2009
Xi'an Rejoy Packaging Materials Co., Ltd. ("Rejoy Packaging")	Subsidiary of Rejoy Technology
Rejoy Baichuan Medicines Chemical Engineering Co., Ltd. ("Rejoy Baichuan")	Subsidiary of Rejoy Technology
Shaanxi Xi'an Pharmaceutical Factory ("Xi'an Pharmacy Factory")	Wholly-owned subsidiary of Rejoy Group
Xi'an Rejoy Medicine Co., Ltd. ("Rejoy Medicine")	Subsidiary of Rejoy Group
Xi'an Rejoy Real Estate Co., Ltd. ("Rejoy Real Estate")	An entity significantly influenced by certain key management personnel of the Group

17 RELATED-PARTY TRANSACTIONS *(Continued)*

(b) Except for related party transactions disclosed elsewhere in this interim financial information, the Group had the following significant transactions with related parties:

Nature of transactions	Name of related party	Six months ended 30 June **2009 Unaudited**	 2008 Unaudited
Purchasing of raw materials and packaging materials from	Rejoy Packaging	**1,815**	1,566
Sales of finished goods to	Rejoy Baichuan	**4,060**	12,064
	Rejoy Medicine	**1,900**	3,517
	Xi'an Pharmacy Factory	**664**	125
		6,624	15,706
Provision of utilities from	Xi'an Pharmacy Factory	**24,276**	26,131
Payment of administrative costs to	Xi'an Pharmacy Factory	**1,701**	1,652
Lease of land use rights from	Rejoy Group	**–**	3,033
Lease of office premises to	Rejoy Group	**–**	110
	Rejoy Baichuan	**–**	52
	Rejoy Medicine	**–**	52
		–	214
Dispose of fixed assets to	Rejoy Real Estate	**–**	71,473

In the opinion of the Company's directors and the Group's management, the above related party transactions were carried out in the ordinary course of business, and in accordance with the terms of the underlying agreements and/or the invoices issued by the respective parties.

17 RELATED-PARTY TRANSACTIONS *(Continued)*

(c) Key management compensation

	Six months ended 30 June	
	2009	2008
	Unaudited	Unaudited
Salaries and wages	**3,299**	4,750

(d) The Group had the following significant balances with related parties:

	30 June 2009 Unaudited	31 December 2008 Audited
Amounts due from related parties included in trade receivables		
– Rejoy Baichuan	**6,068**	11,486
– Rejoy Medicine	**2,482**	3,850
	8,550	15,336
Amounts due from related parties included in other receivables		
– Xi'an Pharmacy Factory	**7,292**	5,925
– Rejoy Technology	**67**	67
– Rejoy Group	**–**	113
	7,359	6,105
Amounts due to related parties included in trade payables		
– Rejoy Packaging	**220**	117
Amounts due to a related party included in other payables		
– Rejoy Group	**–**	82,930

The related party balances are unsecured and interest free.

18 COMMITMENTS

(a) Capital commitments

Capital expenditure at the balance sheet dates contracted but not yet provided for is as follows:

	30 June 2009 Unaudited	31 December 2008 Audited
– Property, plant and equipment	**7,724**	8,706

(b) Operating lease commitments

The future aggregate minimum lease rental expense in respect of office premises in Mainland China and Hong Kong under non-cancellable operating leases are payable as follows:

	30 June 2009 Unaudited	31 December 2008 Audited
Not later than one year	**494**	1,317
Later than one year and not later than five years	**1,403**	1,608
More than five years	**7,654**	7,827
	9,551	10,752