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利君國際醫藥(控股)有限公司

Lijun International Pharmaceutical (Holding) Co., Ltd.

(Incorporated in Cayman Islands with limited liability)

(Stock code: 2005)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

On behalf of the board of directors of Lijun International Pharmaceutical (Holding) Co., Ltd. (“the Company”), I hereby present the unaudited interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2013.

1. RESULTS AND DIVIDEND DISTRIBUTION

The operation of the pharmaceutical industry in China was fairly stable throughout the period, with the market condition gradually improving. The Company’s operation continued to develop and achieved satisfying results. During the period, the Group materialized a sales income of HK\$1.410 billion, representing an increase of 15.3% as compared to the same period of last year, among which Shijiazhuang No. 4 Pharmaceutical Co., Ltd. (“Shijiazhuang No. 4 Pharma”) materialized a sales income of HK\$840 million, representing a period-to-period increase of 26.2%, and Xi’an Lijun Pharmaceutical Co., Ltd. (“Xi’an Lijun”) materialized a sales income of HK\$570 million, representing a period-to-period increase of 2.2%. During the period, the Group materialized a net profit of HK\$227 million, representing a period-to-period increase of 52.7%. The increase in profit was mainly attributable to the rapid and efficient development of intravenous infusion solution business. Shijiazhuang No. 4 Pharma materialized a net profit of HK\$206 million, representing around 90% of the Group’s overall net profit.

The Board resolved to distribute an interim dividend of HK\$2 cents per share, amounting to a total of HK\$58.6 million, representing an increase of 20% as compared to the same period of last year.

2. BUSINESS REVIEW

	For the six months ended 30 June				
	2013	Percentage	2012	Percentage	Change
	Sales	of sales	Sales	of sales	Change
	HK\$'000	%	HK\$'000	%	%
Intravenous Infusion Solution and others	840,110	59.6	665,442	54.4	26.2
(Including: Non-PVC Soft Bag Infusion Solution)	386,010	27.4	264,404	21.6	46.0
PP Plastic Bottle Infusion Solution	233,238	16.5	224,599	18.4	3.8
Antibiotics	330,120	23.4	315,822	25.8	4.5
(Including: Lijunsha Paiqi)	191,883	13.6	181,775	14.9	5.6
	53,975	3.8	57,040	4.7	(5.4)
Non-antibiotics finished medicines	182,571	12.9	188,430	15.4	(3.1)
(Including: Dobesilate Lixiding)	44,704	3.2	35,615	2.9	25.5
	19,898	1.4	17,689	1.4	12.5
Sales of bulk pharmaceuticals	57,567	4.1	53,654	4.4	7.3
Others	115	0.0	278	0.0	(58.7)
Group's total sales	1,410,483	100	1,223,626	100	15.3

(1) Product Operation

Leveraging on the development opportunities brought upon by the mandatory implementation of new GMP in the intravenous infusion solution market, the Group timely expanded its production scale and product specifications, which in turn has further enhanced its advantageous position in the intravenous infusion solution market. During the period, the overall intravenous infusion solution production capacity further expanded to 1 billion bottles (bags) per annum. Coupled with an enhanced product structure, production volume of high margin double-outlet soft bag products increased significantly, gradually becoming the key high-end infusion product. During the period, sales of double-outlet soft bag product represented 18.7% of overall sales of intravenous infusion solution products, representing a period-to-period increase of 148.4%. This leads to a further increase of 2 percentage in profit margin of the intravenous infusion solution business.

Export of intravenous infusion solution products continued to grow rapidly. During the period, export sales reached HK\$39 million, representing a period-to-period increase of 108%.

After suffering a disastrous operating trend, operation of the Group's antibiotics and other products were stabilized. Sales and gross profit margin of the products remained stable, almost the same as that of last year.

(2) Research and Development of New Products

During the period, the L State Pellet Capsule (升態微丸膠囊) project has been granted production permits. The new Compound Alanyl-glutamine Double Layer Tablet (“DLT”) and Sodium Azulene Sulfonate raw materials have passed the Provincial Food and Drug Administration’s production site inspection. The memory boosting PS+DHASCO soft capsules project has been officially established. During the first half of the year, we obtained 3 trial permits for Type 1 new drug Compound Dexibuprofen Sustained-release Double Layer Tablet (“DLT”), raw materials of Blonanserin and Chemical categories of Blonanserin Tablets. We have filed more than 60 chemical production registrations, medicine materials and additional specifications and have obtained 3 invention patents for Bottle making and sterilization methods of PP bottle Large Volume Injection, Cefprozil Tablets and its method of preparation and a method to control PP bottle solution particles. A high-osmolality preparation and its method of preparation were accepted for application filing for 7 invention, practical new model and outlook design patents.

(3) Key Projects

Construction of Shijiazhuang No. 4 Pharma’s two new dedicated production lines for 2000ml, 1000ml, 500ml and 100ml infusion solution soft bags in its advanced large scale plant was completed and certified with National new GMP. The Company’s sales and production scale of soft bags continued to expand. Since the commencement of relocation and upgrade of Shijiazhuang No. 4 Pharma’s headquarters at the end of August last year, the overall progress was smooth. During the first half of the year, infrastructure such as production plant, logistic warehouse, and composite office were all completed as planned. We have now entered the stage of interior and exterior renovation, road construction and pipes and equipment installation. It is expected that by the end of the year, the 6 infusion solution production lines will be ready for trial runs.

In respect of Xi’an Lijun, in order to meet the new GMP requirements, the workshops for production of liquid injections and freeze-dried powder injections are currently undergoing overall upgrade, expansion and modification. Currently, the general construction has been completed, key equipment is installed and the project is progressing smoothly as planned.

3. FUTURE PROSPECT

Looking forward into the second half of 2013, both development opportunities and challenges will arise in the pharmaceutical industry in China. The slow and rational return of drug bidding policies, continuous expansion in the coverage of the pharmaceutical reform policies and their forceful crackdown on the improper competition in the industry will altogether provide a favorable market environment for the strong demand of medicines and orderly competition. Meanwhile, lack of innovation ability and constant decreases in price will still haunt the pharmaceutical industry. The Company will fully leverage on its scale and brand advantages to further improve its product structure. It will also capture the opportunities arising from market consolidation to continue expanding and differentiating its product market, with the aim to materialize constant and rapid growth in its operating results.

(1) Comprehensively boosting its overall marketing level and enhancing its market share and efficiency

The Company will continue to coordinate both the domestic and international markets and capitalise on the peak medicine bidding and procurement period starting in multiple provinces and cities during the second half of the year in order to excel in the bidding and marketing works of its advantageous products such as soft bags products (especially double-outlet soft bag products), vertical infusion soft bag, rinsing solution and dialysis solution, with the aim of further increasing the profit of infusion products and enhancing our leading position in the intravenous infusion solution market.

The Company will forcefully commence international registration and certification for its infusion products, expand the international markets and extend international collaboration in every direction, in order to ensure a growth rate of over 30% for the sales of foreign trades and processing products.

In terms of antibiotics and general medicines, the Company will leverage on its scale and brand advantages to reinforce its market share in every possible way. It will also further enhance its product structure and launch the new products Edaravone and Glipizide on the market during the second half of the year. The Company will alter its mode of development to strive for greater growth in sales and profits.

(2) Expedition of research and development and construction process to provide a solid foundation and safeguard for its development

During the second half of the year, the Group will speed up product research and development and technological innovation through attracting personnel and developing mechanism innovation. The Group will also establish innovation platforms, enhance scientific and technological collaboration with national institutions and actively set up the Nation's material technological projects, in order to constantly enhance its core competitiveness.

In terms of construction work, the construction and reconstruction projects of Shijiazhuang No. 4 Pharma will be completed or commence trial production successively in the second half of the year. The relocation, upgrade and reconstruction project of Shijiazhuang No. 4 Pharma's headquarters will strive to be completed by the end of the year to prepare for the State's GMP on-site inspection. The Company aims to reach target production volume and efficiency as soon as practicable and attain the strategic functions of promoting the stable and rapid development of the Group.

Xi'an Lijun will complete the freeze-dried powder injections expansion project and the construction of liquid injections plant in due course, and strive to obtain the new GMP certificate by the end of the year.

On the whole, the Company is optimistic about its operating position and its operation results will continue to grow. We are dedicated to generating satisfying returns for our investors.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

(All amounts in HK\$ unless otherwise stated)

	Note	Six months ended 30 June	
		2013 Unaudited HK\$'000	2012 Unaudited HK\$'000
Revenue	3	1,410,483	1,223,626
Cost of sales		<u>(780,636)</u>	<u>(690,717)</u>
Gross profit		629,847	532,909
Other gains — net		51,365	8,420
Selling and marketing costs		(245,369)	(206,324)
General and administrative expenses		<u>(140,937)</u>	<u>(138,134)</u>
Operating profit	7	294,906	196,871
Finance income		611	755
Finance costs		<u>(24,022)</u>	<u>(16,043)</u>
Finance costs — net		<u>(23,411)</u>	<u>(15,288)</u>
Profit before income tax		271,495	181,583
Income tax expenses	8	<u>(44,161)</u>	<u>(32,724)</u>
Profit for the period		<u>227,334</u>	<u>148,859</u>
Other comprehensive income:			
Currency translation differences		<u>46,645</u>	<u>(11,326)</u>
Total comprehensive income for the period		<u>273,979</u>	<u>137,533</u>

		Six months ended 30 June	
		2013	2012
		Unaudited	Unaudited
	<i>Note</i>	HK\$'000	HK\$'000
Profit attributable to:			
— Equity holders of the Company		227,330	148,860
— Non-controlling interests		4	(1)
		<u>227,334</u>	<u>148,859</u>
Total comprehensive income attributable to:			
— Equity holders of the Company		273,964	137,537
— Non-controlling interests		15	(4)
		<u>273,979</u>	<u>137,533</u>
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in HK\$ per share)			
— Basic	<i>10</i>	<u>0.0776</u>	<u>0.0508</u>
— Diluted	<i>10</i>	<u>0.0773</u>	<u>0.0507</u>
Dividends (proposed)	<i>9</i>	<u>58,599</u>	<u>48,832</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2013

(All amounts in HK\$ unless otherwise stated)

		30 June 2013 Unaudited HK\$'000	31 December 2012 Audited HK\$'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Land use rights		310,469	239,241
Property, plant and equipment		1,975,937	1,630,224
Intangible assets		314,762	310,964
Deferred income tax assets		22,141	21,175
Available-for-sale financial assets		162	159
		<u>2,623,471</u>	<u>2,201,763</u>
Total non-current assets		2,623,471	2,201,763
Current assets			
Inventories		402,911	398,758
Trade and bills receivables	4	876,642	826,943
Financial assets at fair value through profit or loss		4,486	–
Prepayments, deposits and other receivables		139,373	152,191
Pledged bank deposits		18,206	–
Cash and cash equivalents		434,119	411,783
		<u>1,875,737</u>	<u>1,789,675</u>
Total current assets		1,875,737	1,789,675
Total assets		4,499,208	3,991,438
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		65,405	65,405
Reserves	5	2,638,452	2,423,087
		<u>2,703,857</u>	<u>2,488,492</u>
Non-controlling interests		<u>619</u>	<u>604</u>
Total equity		2,704,476	2,489,096

		30 June	31 December
		2013	2012
		Unaudited	Audited
	<i>Note</i>	HK\$'000	HK\$'000
LIABILITIES			
Non-current liabilities			
Borrowings		439,703	306,034
Deferred income tax liabilities		23,772	23,783
Deferred revenue		7,446	7,795
Post-employment benefit obligation		10,527	10,925
		<u>481,448</u>	<u>348,537</u>
Total non-current liabilities			
Current liabilities			
Trade and bills payables	6	337,331	250,575
Advanced receipts from customers		25,198	25,996
Dividends payable		7,260	–
Accruals and other payables		382,774	330,660
Current income tax liabilities		20,156	24,100
Borrowings		540,565	522,474
		<u>1,313,284</u>	<u>1,153,805</u>
Total current liabilities			
		<u>1,794,732</u>	<u>1,502,342</u>
Total liabilities			
		<u>4,499,208</u>	<u>3,991,438</u>
Total equity and liabilities			
		<u>562,453</u>	<u>635,870</u>
Net current assets			
		<u>3,185,924</u>	<u>2,837,633</u>
Total assets less current liabilities			

SELECTED NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2013

(All amounts in HK\$ unless otherwise stated)

1 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2013 has been prepared in accordance with Hong Kong Accounting Standard 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 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

2 Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual consolidated financial statements for the year ended 31 December 2012, as described in those annual consolidated 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 amendments to standards are mandatory for the first time for the financial year beginning on 1 January 2013:

HKFRS 10	Consolidated financial statements
HKAS 27 (revised 2011)	Separate financial statements
HKFRS 11	Joint arrangements
HKAS 28 (revised 2011)	Associates and joint ventures
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurements
HKAS 19 (Amendment)	Employee benefits
HKAS 1 (Amendment)	Government loans
HKAS 7 (Amendment)	Financial instruments: Disclosures — Offsetting financial assets and financial liabilities
HKFRS 9	Financial Instruments: Classification and measurement
HK(IFRIC) — Int 20	Stripping costs in the production phase of a surface mine
Amendment to HKFRS 1	First time adoption of IFRS
Amendment to HKAS 1	Presentation of financial statements
Amendment to HKAS 16	Property, plant and equipment
Amendment to HKAS 32	Financial instruments: Presentation
Amendment to HKAS 34	Interim financial reporting

As at 30 June 2013, the Group considers these newly effective standards/amendments do not have material impact on the Group’s financial information.

There are certain new and amended standards that have been issued but are not yet effective. The Group is assessing the impact of those new and amended standards and considers those new and amended standards would not have material impact on the Group currently.

3 Segment information — Group

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 Board considers the business from a product perspective, which assesses the performance of two product segments, namely intravenous infusion solution and others, and antibiotics and others.

The chief operating 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 consolidated 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 dividends payable.

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

	Unaudited			
	Intravenous infusion solution and others <i>HK\$ '000</i>	Antibiotics and others <i>HK\$ '000</i>	Unallocated <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
Six months ended 30 June 2013				
Revenue	840,110	570,373	–	1,410,483
Operating profit/(loss) segment results	261,295	42,510	(8,899)	294,906
Finance income	469	142	–	611
Finance costs	(17,230)	(6,792)	–	(24,022)
Profit/(loss) before income tax	244,534	35,860	(8,899)	271,495
Income tax expenses	(38,181)	(5,980)	–	(44,161)
Profit/(loss) for the period	206,353	29,880	(8,899)	227,334

Unaudited

	Intravenous infusion solution and others <i>HK\$'000</i>	Antibiotics and others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2012				
Revenue	665,442	558,184	–	1,223,626
Operating profit/(loss) segment results	165,962	57,759	(26,850)	196,871
Finance income	423	87	245	755
Finance costs	(9,534)	(6,041)	(468)	(16,043)
Profit/(loss) before income tax	156,851	51,805	(27,073)	181,583
Income tax expenses	(24,568)	(8,156)	–	(32,724)
Profit/(loss) for the period	132,283	43,649	(27,073)	148,859

Unaudited

	Intravenous infusion solution and others <i>HK\$'000</i>	Antibiotics and others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30 June 2013				
Total assets	3,042,551	1,450,088	6,569	4,499,208
Total liabilities	1,308,885	478,587	7,260	1,794,732

Audited

	Intravenous infusion solution and others <i>HK\$'000</i>	Antibiotics and others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2012				
Total assets	2,606,370	1,381,777	3,291	3,991,438
Total liabilities	1,073,860	428,482	–	1,502,342

4 Trade and bills receivables — Group

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

	30 June 2013 Unaudited HK\$'000	31 December 2012 Audited HK\$'000
Within 3 months	699,618	706,580
4 to 6 months	114,795	44,815
7 to 12 months	39,283	26,274
1 to 2 years	24,706	65,333
2 to 3 years	28,118	9,474
More than 3 years	10,217	9,509
	916,737	861,985
<i>Less:</i> Provision for impairment	(40,095)	(35,042)
	876,642	826,943

5 Reserves — Group

	Unaudited						
	Share premium HK\$'000	Capital reserve HK\$'000	Statutory reserves HK\$'000	Share- based payment reserve HK\$'000	Currency translation differences HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2013	1,262,730	176,819	234,220	15,530	86,094	647,694	2,423,087
Dividends paid to equity holders of the Company	—	—	—	—	—	(58,599)	(58,599)
Profit for the period	—	—	—	—	—	227,330	227,330
Currency translation differences	—	—	4,290	—	42,344	—	46,634
At 30 June 2013	1,262,730	176,819	238,510	15,530	128,438	816,425	2,638,452
At 1 January 2012	1,351,525	176,819	202,447	—	86,596	422,587	2,239,974
Repurchase of the Company's shares (a)	—	—	—	—	—	(5,520)	(5,520)
Cancellation of shares repurchased (b)	(5,458)	—	—	—	—	5,520	62
Dividends paid to equity holders of the Company	—	—	—	—	—	(48,865)	(48,865)
Profit for the period	—	—	—	—	—	148,860	148,860
Employee share option scheme — value of employee services (c)	—	—	—	15,530	—	—	15,530
Currency translation differences	—	—	—	—	(11,323)	—	(11,323)
At 30 June 2012	1,346,067	176,819	202,447	15,530	75,273	522,582	2,338,718

- (a) During the period from 28 March 2012 to 4 June 2012, the Company repurchased 3,210,000 ordinary shares of the Company through the Stock Exchange at an aggregate consideration of approximately HK\$5,520,000, which had been deducted from retained earnings within shareholders' equity.
- (b) On 30 April 2012 and 29 June 2012, the Company cancelled 1,570,000 and 1,640,000 ordinary shares repurchased respectively. Directly attributable expenses of approximately HK\$2,000 relating to the cancellation were charged against the retained earnings of the Company. After the cancellation, the Company's ordinary shares in issue were reduced from 2,444,814,000 to 2,441,604,000.
- (c) As approved by the Board of Directors' meeting on 3 May 2012, 40,000,000 share options (being adjusted to 48,000,000 share options as a result of the issuance of bonus shares on 16 October 2012) were granted to two directors at an exercise price of HK\$1.78 per share (being adjusted to HK\$1.48 as a result of issuance of bonus share on 16 October 2012), which represents the higher of (i) the closing price of the share on the date of grant; and (ii) the average closing price of the share for 5 trading days immediately preceding the date of grant. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Average Exercise Price <i>(HK\$ per share)</i>	Number of Options <i>(thousands)</i>
At 1 January 2012	–	–
Granted	1.48	48,000
At 30 June 2012	1.48	48,000

Details of share options outstanding at 30 June 2013 are as follows:

Exercisable from	Expiry date	Average Exercise Price <i>(HK\$ per share)</i>	Number of Options <i>(thousands)</i>
3 May 2012	2 May 2015	1.48	48,000

The weighted average fair value of options granted on 3 May 2012 determined by using the Binomial Model was HK\$0.39 per option. The significant inputs into the model were share price at the grant date, the exercise price shown above, expected volatility of 62.15%, expected dividend yield of 2.26% and risk-free interest rate of 0.32%. The share price at the grant date is the closing price of the Company's listed shares as of the grant date. The expected volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical share prices of the Company over the last three years. The expected dividend yield is measured based on the dividend yield per the Company as projected by Bloomberg, which agree to the Directors' best estimation based on the expected future performance and dividend policy of the Group.

The attributable amount charged to the interim consolidated statement of comprehensive income for the six months ended 30 June 2012 was approximately HK\$15,530,000.

6 Trade and bills payables — Group

Ageing analysis of trade and bills payables is as follows:

	30 June 2013 Unaudited HK\$'000	31 December 2012 Audited HK\$'000
Within 3 months	280,623	190,380
4 to 6 months	32,446	31,166
7 to 12 months	12,907	19,163
1 to 3 years	8,344	8,440
More than 3 years	3,011	1,426
	<u>337,331</u>	<u>250,575</u>

7 Operating profit — Group

	Six months ended 30 June	
	2013 Unaudited HK\$'000	2012 Unaudited HK\$'000
Gain on disposal of property, plant and equipment	(132)	(998)
Government grants	(52,311)	(8,964)
Depreciation of property, plant and equipment	67,834	63,041
Provision for/(Reversal of) decline in value of inventories	121	(442)
Provision for impairment of receivables	4,779	4,783
Amortisation of intangible assets	2,009	9,943
Amortisation of land use rights	3,407	2,906
Share-based compensation	—	15,530
Foreign exchange (gain)/loss, net	(558)	1,140
	<u>(558)</u>	<u>1,140</u>

8 Income tax expenses — Group

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

New Orient Investments Pharmaceutical Holding (Hong Kong) Limited, the subsidiary of the Company, is subject to Hong Kong profits tax at the rate of 16.5% (2012: 16.5%) on its estimated assessable profit.

All subsidiaries of the Company established and operate in PRC are subject to Mainland China Corporate Income Tax (“CIT”) at an applicable rate of 25%.

Xi'an Lijun and Shijiazhuang No. 4 Pharma have been recognised as High and New Tech Enterprises in 2012. According to the tax incentives rules of the Corporate Income Tax Law of the People's Republic of China (the "CIT Law") for High and New Tech Enterprises, these companies are subject to a reduced corporate income tax rate of 15% for three years.

According to the PRC CIT Law, the profits of the PRC subsidiaries of the Group derived since 1 January 2008 will be subject to withholding tax at a rate of 5% upon the distribution of such profits to foreign investors in Hong Kong. Deferred income tax liabilities have been provided for in this regard based on the expected dividends to be distributed from the Group's PRC subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008.

The amounts of taxation charged to the interim condensed consolidated statement of comprehensive income:

	Six months ended 30 June	
	2013	2012
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Current income tax	45,464	32,633
Deferred income tax	(1,303)	91
	<u>44,161</u>	<u>32,724</u>

9 Dividends

	Six months ended 30 June	
	2013	2012
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Interim dividend, proposed, of HK\$2 cents (six months ended 30 June 2012: HK\$2 cents) per ordinary share	<u>58,599</u>	<u>48,832</u>

At a meeting held on 28 August 2013, the directors recommended the payment of an interim dividend of HK\$2 cents per ordinary share, totalling HK\$58,599,000 in respect of the six months ended 30 June 2013. 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 2013.

10 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2013 Unaudited HK\$'000	2012 Unaudited HK\$'000 (Restated)
Profit attributable to equity holders of the Company	<u>227,330</u>	<u>148,860</u>
Weighted average number of ordinary shares in issue (thousands)	<u>2,929,925</u>	<u>2,933,135</u>
Basic earnings per share (HK\$ per share)	<u><u>0.0776</u></u>	<u><u>0.0508</u></u>

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company are share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value 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	
	2013 Unaudited HK\$'000	2012 Unaudited HK\$'000 (Restated)
Profit used to determine diluted earnings per share	<u>227,330</u>	<u>148,860</u>
Weighted average number of ordinary shares in issue (thousands)	<u>2,929,925</u>	<u>2,933,135</u>
Adjustment for share options (thousands)	<u>11,500</u>	<u>1,100</u>
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<u>2,941,425</u>	<u>2,934,235</u>
Diluted earnings per share (HK\$ per share)	<u><u>0.0773</u></u>	<u><u>0.0507</u></u>

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 2013, the cash and cash equivalents aggregated to HK\$434,119,000 (31 December 2012: HK\$411,783,000), comprising HK\$410,965,000 (31 December 2012: HK\$409,692,000) of cash and cash equivalents denominated in Renminbi (“RMB”), HK\$10,871,000 (31 December 2012: HK\$1,128,000) in Hong Kong dollars and HK\$12,283,000 (31 December 2012: HK\$963,000) in other currencies.

As at 30 June 2013, the Group has pledged bank deposits amounting to HK\$18,206,000 (31 December 2012: Nil) as guarantee of banks borrowings, payables for property, plant and equipment and bills payable.

The carrying amounts of the borrowings amounting to HK\$980,268,000 as at 30 June 2013 (31 December 2012: HK\$828,508,000), comprising HK\$778,356,000 (31 December 2012: HK\$616,637,000) of borrowings denominated in RMB, HK\$72,087,000 (31 December 2012: HK\$88,142,000) in Hong Kong dollars and HK\$129,825,000 (31 December 2012: HK\$123,729,000) in other currencies.

Gearing ratio (defined as bank borrowings less cash and cash equivalents divided by total capital) increased from 14.4% as at 31 December 2012 to 20.2% as at 30 June 2013.

Current ratio (defined as current assets divided by current liabilities) decreased from 1.55 as at 31 December 2012 to 1.43 as at 30 June 2013.

FOREIGN EXCHANGE RISK

Majority of the Group’s businesses are operated in the PRC and are denominated in RMB and Hong Kong dollars. 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 2013.

PLEDGE OF ASSETS

As at 30 June 2013, the net book amount of the Group's land use right of HK\$48,942,000 (31 December 2012: HK\$48,724,000), the net book amount of the Group's buildings, plant and machineries of HK\$210,016,000 (31 December 2012: HK\$249,166,000) and bank deposits of HK\$18,206,000 (31 December 2012: Nil) were pledged as collateral for the Group's bank borrowings and bills payable.

CONTINGENT LIABILITIES

As at 30 June 2013, the Group did not have any significant contingent liabilities.

INTERIM DIVIDEND

The Directors resolved to pay on 31 October 2013 an interim dividend of HK2 cents per share (amounting to a total of approximately HK\$58,599,000) for the six months ended 30 June 2013 to the shareholders named in the register of members of the Company on 11 September 2013. The interim dividend represents a payout rate of 26% of net profit attributable to the equity holders of the Company for the six months ended 30 June 2013.

EXCHANGE RATE

As at 2013 and 2012, the exchange rates of converting HK\$ into RMB (as calculated in HK\$) were:

1 January 2012	0.81070
30 June 2012	0.81522
31 December 2012	0.81085
30 June 2013	0.79655

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 2013.

SHARE OPTION SCHEME

Pursuant to a share option scheme approved by a written resolution of all shareholders of the Company on 16 October 2005 ("Old Share Option Scheme"), the Company may grant options to, amongst others, the directors or employees of the Company or its subsidiaries, for the recognition of their contributions to the Group, to subscribe for the shares. The share options are exercisable at any time during a period of not more than 10 years from the date of the offer for grant of options, subject to the terms and conditions of Old Share Option Scheme and any conditions of grant as may be stipulated by the Board.

As at 7 August 2008, the Company granted 100,000,000 share options under the Old Share Option Scheme, 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 4 October 2010, all of the 100,000,000 share options granted were exercised.

As at 3 May 2012, the Company granted 40,000,000 share options (being adjusted to 48,000,000 share options as a result of the Bonus Issue on 16 October 2012) under Old Share Option Scheme, representing about 1.64% of the issued share capital as at the date immediately before the options were granted to directors of the Group. The exercise price was HK\$1.78 (being adjusted to HK\$1.48 as a result of the Bonus Issue on 16 October 2012).

As at 30 June 2013, all of the 48,000,000 share options granted under Old Share Option Scheme remained outstanding.

During the year of 2012, the Board proposed the termination of Old Share Option Scheme and the adoption of the existing share option scheme (“Existing Share Option Scheme”) which were approved by an ordinary resolution passed by the shareholders at the EGM held on 20 September 2012. The operation of Old Share Option Scheme was terminated such that no further share option could thereafter be offered under Old Share Option Scheme but in all other respects the provisions of Old Share Option Scheme shall remain in full force and effect.

Existing Share Option Scheme is valid and remains in force for a period of 10 years from 20 September 2012 (the “Scheme Period”) unless terminated earlier by shareholders in general meeting. The purpose of Existing Share Option Scheme is to enable the Board to grant share options to the Eligible Person as defined in Existing Share Option Scheme including, among others, the directors, employee or proposed employee, consultants or advisers of or to the Company or its subsidiaries or any entity in which the Group holds an equity interest, as incentives or rewards for their contribution or potential contribution to the development and growth of the Group. The provisions of Existing Share Option Scheme comply with the requirements of Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

Pursuant to Existing Share Option Scheme, the offer for grant of options (“Offer”) must be accepted within 30 days inclusive of the day on which such offer was made, with a payment of HK\$1.00 as consideration for the grant. The exercise price of the share option is to be determined by the Board provided always that it shall be at least the higher of (i) the closing price of the shares as stated in the daily quotations sheet issued by the Stock Exchange for the date of offer of grant, which must be a business day; and (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer of grant provided that the option price per share shall in no event be less than the nominal amount of one share. The share options are exercisable at any time during a period as the Board may determine in granting the share options but in any event shall not exceed 10 years from the date of Offer, subject to the terms and conditions of Existing Share Option Scheme and any conditions of grant as may be stipulated by the Board.

The aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under Existing Share Option Scheme and any other schemes shall not exceed 30% of the issued share capital of the Company from time to time. The maximum number of shares issuable upon exercise of all options to be granted Existing Share Option Scheme and any other schemes as from the commencement of the Scheme Period must not, in aggregate, exceed 10% of the shares in issue as at 20 September 2012 (the "Scheme Mandate"). The Scheme Mandate may be refreshed at any time by obtaining approval of the shareholders in general meeting provided that the new limit under the refreshed Scheme Mandate must not exceed 10% of the issued share capital of the Company at the date of the shareholders' approval. The maximum number of shares issued and to be issued upon exercise of the options granted under Existing Share Option Scheme and any other schemes to any of the Eligible Person (including cancelled, exercised and outstanding options) in any 12-month period up to the date of grant shall not exceed 1% of issued share capital of the Company unless shareholders' approval is obtained under the terms of Existing Share Option Scheme.

As at 30 June 2013, no option has been granted under Existing Share Option Scheme since its adoption.

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 28 August 2013, and at all times during the six months ended 30 June 2013.

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 2013.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Corporate Governance Code (formerly the "Code on Corporate Governance Practices") (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") including those revised code provisions which became effective on 1 April 2012. During the period, the Company has complied with all applicable provisions of CG Code for their respective applicable periods.

INDEPENDENT REVIEW OF AUDITORS

The Interim Financial Information for the six months ended 30 June 2013 has been reviewed by the auditor 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 2013.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 12 September 2013 to Monday, 16 September 2013 (both days inclusive), during which period, no transfer of shares will be registered.

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 of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong by no later than 4:30 p.m., Wednesday, 11 September 2013.

PUBLICATION OF THE INTERIM REPORT

The 2013 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) and the Company’s website (www.lijun.com.hk) in due course.

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

By order of the Board

Wu Qin

Chairman

Hong Kong, 28 August 2013

As at the date of this announcement, the Board comprises Mr. Wu Qin, Mr. Qu Jiguang, Mr. Xie Yunfeng, Mr. Wang Xianjun and Mr. Duan Wei as executive Directors, and Mr. Wang Yibing, Mr. Leung Chong Shun and Mr. Chow Kwok Wai as independent non-executive Directors.