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 2012

On behalf of the board (the "Board") of directors (the "Directors") of Lijun International Pharmaceutical (Holding) Co., Ltd. (the "Company"), I present the interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2012.

1. RESULTS AND DIVIDEND DISTRIBUTION

The overall economic environment for the pharmaceutical industry in the PRC remained relatively difficult since this year. Further to the continuance of unfavorable factors such as inflating raw and auxiliary material prices and increasing labor costs, the Group's operation was doubly impacted by the State policies and market competition, and the gross profit margin remained low. Coupled with the mandatory implementation of the new GMP, the Company has to undergo works for upgrade and reform, which will increase the operating costs of the Company. In face of the market environment, the Company will exert itself to leverage on its own advantages and assume initiative of development to achieve growth of operating results amidst adversity.

During the first half of the year, the Group's revenue from principle businesses amounted to HK$1,223,626,000, representing a year-to-year increase of 12.4%. Of which, HK$558,184,000 was contributed by Xi'an Lijun Pharmaceutical, representing a year-to-year decrease of 6.6%, and HK$665,442,000 was contributed by Shijiazhuang No. 4 Pharma, representing a year-to-year increase of 35.4%. During the first half of the year, the Group achieved a net profit of HK$148,860,000, representing an increase of 10.3% as compared to the same period last year.

The Board recommended the payment of an interim dividend of HK$0.02 per share, amounting to HK$48,832,000 in total. Also, the Board proposed bonus issue of shares on the basis of one bonus share for every five existing shares to shareholders, subject to approval by the shareholders at the extraordinary general meeting ("EGM").

2. REVIEW OF OPERATING RESULTS

	For the six months ended 30 June				
	2012		2011		
	Sales	**Percentage of sales**	Sales	Percentage of sales	Change
	HK$'000	***%***	*HK$'000*	*%*	*%*
Intravenous Infusion Solution	**665,442**	**54.4**	491,486	45.2	35.4
(Including: PP Plastic Bottle Infusion Solution	**224,599**	**18.4**	178,495	16.4	25.8
Non-PVC Soft Bag Infusion Solution)	**264,404**	**21.6**	164,895	15.1	60.3
Antibiotics	**315,822**	**25.8**	343,293	31.5	(8.0)
(Including: Lijunsha	**181,775**	**14.9**	191,653	17.6	(5.2)
Paiqi)	**57,040**	**4.7**	63,655	5.8	(10.4)
Non-antibiotics finished medicines	**188,708**	**15.4**	200,641	18.4	(5.9)
(Including: Dobesilate	**35,615**	**2.9**	46,393	4.3	(23.2)
Lixiding)	**17,689**	**1.4**	18,103	1.7	(2.3)
Sales of bulk pharmaceuticals	**53,654**	**4.4**	53,483	4.9	0.3
Group's total sales	**1,223,626**	**100**	1,088,903	100	12.4

(1) Product marketing

1. Continual growth in sales and transformation and upgrade of intravenous infusion solution products

The production lines that completed expansion last year have all commenced operation in March this year, fueling a significant increase in the production and sales volumes of intravenous infusion solution products of the Company. During the first half of the year, sales of intravenous infusion solution products amounted to HK$602,932,000, representing a growth of 38.8% as compared to the same period last year, of which sales of non-PVC soft bag and PP plastic bottle products increased by 60.3% and 25.8% as compared to the same period last year, continuing the rapid growth momentum over the past years.

While upholding the mid to high-end positioning in the domestic market for the key infusion solution products, the Group has expedited the pace of "going overseas" through speeding up registration processes overseas and proactively participating in the competition on the international market. Currently, the Group has completed registration for 20 infusion solution products under 42 specifications in 13 countries, further expanding its channels and markets for infusion solution export.

2. Sales of antibiotic products below expectation as impacted by the "double-restriction" policy of the State

Sales of antibiotics products of the Company were under increasing pressure as impacted by the "double-restriction" policy of the State in price and quantity. Despite the Company's proactive adoption of a series of measures centered around "maintaining price, capturing distribution, enhancing end-use and sustaining profit", the downward momentum in the sales of antibiotics failed to be reversed. During the first half of the year, sales of antibiotics amounted to HK$315,822,000, representing a drop of 8.0% as compared to the same period last year. Of which, HK$181,775,000 was contributed by Lijunsha, representing a decrease of 5.2% as compared to the same period last year, and HK$57,040,000 was contributed by Paiqi series, representing a decrease of 10.4% as compared to the same period last year. Sales of other antibiotics amounted to HK$77,007,000, representing a decrease of 12.5% as compared to the same period last year.

3. Stable sales of key preparation products and general medicines

Affected by the "toxic capsule" incident of other companies, Dobesilate recorded a relatively significant decline in sales, and recorded a sales of HK$35,615,000 during the first half of the year, representing a decrease of 23.2% as compared to the same period last year. Due to restricted sale under prescription, Lixiding recorded sales of HK$17,689,000 for the first half of the year, representing a decrease of 2.3% as compared to the same period last year. Haogan, Lijungai, Weikoujia, Kehao and other new OTC products upheld high-speed growth. During the first half of the year, OTC products achieved total sales of HK$13,500,000, representing a year-to-year increase of 44.1%. Overall, sales of non-antibiotics finished products amounted to HK$188,708,000 for the first half of the year, representing a drop of 5.9% as compared to the same period last year.

(2) Progress in research and development of new products and platform construction

During the first half of the year, "Technology Re-engineering on Erythromycin Ethylsuccinate Crystallization", a project of State's New Key Drug Project of Twelfth Five-Year" of Xi'an Lijun Pharmaceutical was kicked off; Compound Dextral Ibuprofen Sustained-release Double-layered Tablet, Type1 New Drug for treating trachea inflammation, and MeN061016-1, Type 1.1 New Drug for treating vascular dementia have completed the application of international PCT patent, of which Type 1 New Drug Compound Dextral Ibuprofen Sustained-release Double-layered Tablet has completed onsite preclinical trial research and development assessment and clinical trial application. In particular, the production permits of Edaravone raw materials and injection, and the new drug certificates and production permits for Nalmefene Hydrochloride raw materials and injection, as well as the production permits and health food permits for Lingzhihong Capsules were obtained. All these will positively enhance the Company's sales at the next phase.

During the first half of the year, Shijiazhuang No. 4 Pharma has obtained 34 State's product registration approvals for change of technology and packaging, and applied for 8 invention and utility patents including PP flip-off cap for plastic infusion solution container and Cefuroxime Axetil Tablet and its preparation method. To enhance the research and development of core technologies and products and the result transformation, and to deepen the cooperation amongst production, academics and research, a joint research centre, test laboratory and post-graduate training base were set up with Tianjin University and Education Bureau, in the effort of focusing on the coordination between talent training, project research and development and result transformation. The large volume injection engineering technological centre has been included in the construction plan of Department of Science and Technology of Heibei Province.

(3) Systematic progression of key construction projects

Having integrated its enterprise development strategies with the State's requirements on injection manufacturers according to the new GMP, Shijiazhuang No. 4 Pharma has proactively implemented the modern preparation project, a key construction project of Heibei Province, and has achieved in obtaining the new GMP certification and fully commenced operation in early 2012. At the same time, it has mastered an international vision in introducing new technologies, new techniques and new equipment that fulfill the certification standards of the European Union, bringing about an all-round enhancement in the quality and production capacity of infusion solutions, as well as the actualization of core advantages in terms of quality, technologies and costs. Shijiazhuang No. 4 Pharma was the first in Heibei Province to obtain overall GMP certification, leading its counterparts in the industry by at least half a year, and in turn securing time edges in market exploration. Its leadership position in the industry was further consolidated as its scale and competitiveness were further enhanced.

With respect to the target fulfillment, capacity expansion and reformation project of Xi'an Lijun Pharmaceutical, repeated demonstration has been conducted to confirm various key works including comparison of old and new GMP, selection of design institute, planning and layout of east factory zone, establishment of separate production line for hormone type products, and relocation of power distribution station. After taking into account different factors, it has been decided that liquid injection, freeze-dried powder injection, tablets and power will be included. Each of these is currently under expedited progress.

3. SECOND HALF YEAR OUTLOOK

Looking ahead into the second half of the year, there will be a lack of obvious improvement in the operating environment for the pharmaceutical industry in the PRC, especially for the antibiotics business that will remain under the strong impact of the "price and quantity restriction" policy. The Company will look to leverage on its own advantages in scale and branding to further optimize its product structure, to ride on the opportunity of market adjustments, to change the way of development, to expand and diversify the market of the products, and to strive for faster and better growth of both sales volume and profit.

(1) High prioritization of product marketing and sales

1. Increasing the weight of sales of advantageous intravenous infusion solution products for substantial growth of sales volume

Integrating changes in the market and tender work situations, we will closely knit the advantageous intravenous infusion solution products and targeted markets to augment the sales expansion of single-outlet, double-outlet and double-valve, irrigating solution and dialysis solution soft-bag infusion solution and plastic bottles with a special focus on therapeutic infusion solutions of Amino Acid, Mannitol, Ambroxol, Hydroxyethyl Starch and Ozagrel with sales expansion. We will strive to achieve the sales target of 700,000,000 bottles (bags) of infusion solutions and realize new milestones in the sales of key products.

Simultaneously, we will strictly implement the strategy of "going overseas" to continue enlarging the sales in the South East Asia and Africa markets and effort for new breakthroughs in exports and processing sales.

2. Striving for stable sales of Lijunsha and other antibiotics products

Facing the most stringent restriction order for antibiotics in history, the Company has already implemented initial proactive responsive measures. Firstly, we have in principal tightened and halted large discounts and incentives related to commercial procurements in order to raise the market price of Lijunsha. Secondly, we have highlighted and tangibly secured tenders for Lijunsha in order to consolidate our market share. Thirdly, we have commenced a number of "price-securing" measures. Fourthly, we have stepped up solely-commercial distribution of Lijunsha in order to consolidate our market share. Fifthly, we have specially accentuated the end-use promotion efforts for Lijunsha, with a focus on the incentive promotion for end-use procurements. These are paralleled by sales expansion and increase efforts for Lijunsha granules and capsules.

Apart from consolidating and increasing the sales of freeze-dried powder injection of Paiqi series of products, we will continue striving for sales volume stimulation of disperse tablets, capsules and dry mixed suspensions of the Paiqi oral intake series through leveraging on the branding effect. On the other hand, further focus on sales of Limaixian at drugstores will be mounted aside from efforts to explore the end-use markets of hospitals, clinics and community clinics.

3. *Augmenting the sales of advantageous featured categories and striving for growth in the sales of general medicines*

For Dobesilate and Lixiding, we will enlarge their respective force, strengthen promotion at hospitals, and emphasize direct negotiation and supply related to drugstore end-use, with the target of sales rebound for the second half of the year.

We will persist in restructuring efforts for the general medicines, promoting the sales of high margin products, emphasizing tender work and sales growth for tender winning products and expansion of end-use network, which will in turn assure sustained sales and profit growth. In respect of foreign trade of bulk pharmaceuticals, consolidation of existing market shares will be paralleled by efforts to boost the export of advantageous categories of preparations.

4. *Ensuring high-speed growth in featured OTC products*

Strategic planning for sales of featured OTC products must be completed in the second half of the year. While product management will be adjusted and selected, provincial supervisors will be well-equipped with strategically established end-use teams. At the same time, we will focus on the two key targets of "promotion and market distribution" to ensure high-speed growth for featured OTC products, and to build a solid foundation for higher market distribution next year.

(2) Expedited new product research and development and approval of applications

During the second half of the year, clinical application of Type 1 new drug Compound Dexibuprofen Sustained-release Double-layer Tablet of Xi'an Lijun Pharmaceutical will be completed, whereas technology evaluation of Compound Metformin Hydrochloride Tablet will be proactively followed. In accordance with the principle of scientific development of "market-orientation, dynamic development, aggression basis, combination of research and imitation", Xi'an Lijun Pharmaceutical is currently assessing each of our projects under research to ultimately implement adjustments to the research and development of new products.

Shijiazhuang No. 4 Pharma will strive to obtain the permit for the packaging materials of Convertible Vertical PP Infusion Bag with independent intellectual property, and the production permits for 2000ml Compound Electrolyte Irrigation Solution and 100ml Sterilized Injection Liquid. We will also focus on the application for add-in production permit of glucose injection solution and hydrochloride injection solution, and the change in packaging materials for xantinol nicotinate and sodium chloride injection solution, and buflomedil hydrochloride injection solution. Also, in response to enterprise development and changes in market demand, we will commit in the application for the raw materials of Type 6 chemical medicine Hydroxyethyl Starch 200, and the application for clinical permits for Type 6 chemical medicine Gliclazide Slow-Release Tablets, Type 6 chemical medicine Azithromycin Granule and Type 6 chemical medicine Cefuroxime Axetil Tablets, and keep a proper reserve of bulk pharmaceuticals and new oral preparation products.

(3) Acceleration of standardization, capacity expansion and reformation projects

During the second half of the year, Shijiazhuang No. 4 Pharma will fully commence the provincial key project of Relocation and Upgrade of No. 4 Pharma Headquarters by establishing a specialized department to enhance the high-starting point, high-standard and high-efficiency implementation of the project, with the aim to strive for establishment and certification of phase one three-in-one PP new ampule preparation production line and a large volume injection production with an annual production capacity of 800,000,000 ampules (bags), as well as an auxiliary 3D logistics warehouse by the end of 2013. Moreover, we will speed up the construction of the new dedicated production line for 100ml and 500ml infusion solution and strive for the successful certification and commencement of production in the first quarter of 2013, in order to effective respond to market and policy changes, secure the leading edges in terms of the production volume, quality and profitability of infusion solution.

Coherent with the centralized planning of the Company, Xi'an Lijun Pharmaceutical will complete emptying and demolishing of the old factories in the construction site and the relocation of power piping in the second half of the year. Apart from completing the overall planning of east factory zone and the technical solution for liquid injection and freeze-dried powder injection, it will also commence construction and upgrade, standardization and reform works with special attention to the quality and progress of the works, in order to facilitate completion of the works by next year.

In conclusion, facing a tough market, the Company will adopt proactive responses to continuously enhance the operation and management standard, heighten the operating quality and economic efficiency, and to generate more fruitful return for the investors. We are highly confident in the future development of the Company.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

(All amounts in HK$ unless otherwise stated)

		Six months ended 30 June	
		2012	2011
	Note	**Unaudited**	Unaudited
		HK$'000	*HK$'000*
Revenue	*3*	**1,223,626**	1,088,903
Cost of sales		**(690,717)**	(602,624)
Gross profit		**532,909**	486,279
Other revenue/(losses) – net		**8,420**	(110)
Selling and marketing costs		**(206,324)**	(211,267)
General and administrative expenses		**(138,134)**	(101,855)
Operating profit	*7*	**196,871**	173,047
Finance income		**755**	1,616
Finance costs		**(16,043)**	(11,534)
Finance costs – net		**(15,288)**	(9,918)
Profit before income tax		**181,583**	163,129
Income tax expenses	*8*	**(32,724)**	(28,103)
Profit for the period		**148,859**	135,026
Other comprehensive income:			
Currency translation differences		**(11,326)**	50,697
Total comprehensive income for the period		**137,533**	185,723
Profit attributable to:			
– Equity holders of the Company		**148,860**	135,010
– Non-controlling interests		**(1)**	16
		148,859	135,026

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

(All amounts in HK$ unless otherwise stated)

	Note	Six months ended 30 June	
		2012	2011
		Unaudited	Unaudited
		HK$'000	*HK$'000*
Total comprehensive income attributable to:			
– Equity holders of the Company		**137,537**	185,707
– Non-controlling interests		**(4)**	16
		137,533	185,723
Earnings per share for profit attributable to the equity holders of the Company during the period			
(expressed in HK$ per share)			
– Basic	*10*	**0.0609**	0.0552
– Diluted	*10*	**0.0609**	0.0552
Dividends	*9*	**48,832**	48,896

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2012

(All amounts in HK$ unless otherwise stated)

	Note	30 June 2012 Unaudited *HK$'000*	31 December 2011 Audited HK$'000
ASSETS			
Non-current assets			
Land use rights		**216,313**	220,433
Property, plant and equipment		**1,453,340**	1,444,819
Intangible assets		**310,025**	316,896
Deferred income tax assets		**19,835**	21,526
Available-for-sale financial assets		**158**	159
Other non-current assets		**24,533**	–
Total non-current assets		**2,024,204**	2,003,833
Current assets			
Inventories		**394,964**	342,318
Trade and bill receivables	*4*	**870,467**	704,666
Financial assets at fair value through profit or loss		**7,155**	2,367
Prepayments, deposits and other receivables		**131,589**	128,933
Pledged bank deposits		**2,656**	4,443
Cash and cash equivalents		**240,366**	257,980
Total current assets		**1,647,197**	1,440,707
Total assets		**3,671,401**	3,444,540
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**55,639**	55,703
Reserves	*5*	**2,338,718**	2,239,974
		2,394,357	2,295,677
Non-controlling interests		**612**	616
Total equity		**2,394,969**	2,296,293

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 June 2012
(All amounts in HK$ unless otherwise stated)

	Note	**30 June 2012 Unaudited *HK$'000***	31 December 2011 Audited HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings		**57,507**	86,822
Deferred income tax liabilities		**23,728**	25,344
Deferred revenue		**4,945**	10,608
Long-term payables		**9,338**	10,548
Total non-current liabilities		**95,518**	133,322
Current liabilities			
Trade and bill payables	*6*	**305,732**	259,986
Advanced receipts from customers		**14,876**	17,271
Dividends payable		**6,050**	6,050
Accruals and other payables		**324,857**	393,338
Income tax payable		**21,667**	8,487
Borrowings		**507,732**	329,793
Total current liabilities		**1,180,914**	1,014,925
Total liabilities		**1,276,432**	1,148,247
Total equity and liabilities		**3,671,401**	3,444,540
Net current assets		**466,283**	425,782
Total assets less current liabilities		**2,490,487**	2,429,615

SELECTED NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2012
(All amounts in HK$ unless otherwise stated)

1 Basis of preparation

These condensed consolidated interim financial statements for the six months ended 30 June 2012 have been prepared in accordance with HKAS 34, 'Interim financial reporting'. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011, 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.

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on this Group.

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted:

		Effective date
HKAS 1 (Amendment)	Presentation of financial statements	1 July 2012
HKFRS 10	Consolidated financial statements	1 January 2013
HKAS 27 (Revised 2011)	Separate financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKAS 28 (Revised 2011)	Associates and joint ventures	1 January 2013
HKFRS 12	Disclosures of interests in other entities	1 January 2013
HKFRS 13	Fair value measurement	1 January 2013
HKAS 19 (Amendment)	Employee benefits	1 January 2013
HKFRS 7 (Amendment)	Financial instruments: Disclosures – Offsetting financial assets and financial liabilities	1 January 2013
HK(IFRIC) – Int 20	Stripping costs in the production phase of a surface mine	1 January 2013
HKAS 32 (Amendment)	Financial instruments: Presentation – Offsetting financial assets and financial liabilities	1 January 2014
HKFRS 9	Financial instruments	1 January 2015
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory effective date and transition disclosures	1 January 2015

The Group is yet to assess the impact of these new standards and amendments to standards.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

3 Segment information

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

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

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

Unallocated operating loss mainly represents corporate expenses.

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

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

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

	Unaudited			
	Intravenous infusion solution	**Antibiotics and others**	**Unallocated**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
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
Six months ended 30 June 2011				
Revenue	491,486	597,417	–	1,088,903
Operating profit/(loss) segment results	115,737	67,672	(10,362)	173,047
Finance income	544	301	771	1,616
Finance costs	(5,843)	(4,156)	(1,535)	(11,534)
Profit/(loss) before income tax	110,438	63,817	(11,126)	163,129
Income tax expenses	(17,815)	(10,288)	–	(28,103)
Profit/(loss) for the period	92,623	53,529	(11,126)	135,026

	Unaudited			
	Intravenous infusion solution	**Antibiotics and others**	**Unallocated**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 30 June 2012				
Total assets	2,265,662	1,367,790	37,949	3,671,401
Total liabilities	869,440	406,865	127	1,276,432

	Audited			
	Intravenous infusion solution	**Antibiotics and others**	**Unallocated**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2011				
Total assets	2,074,263	1,254,941	115,336	3,444,540
Total liabilities	814,971	319,529	13,747	1,148,247

4 Trade and bill receivables

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

	30 June 2012 Unaudited	31 December 2011 Audited
	HK$'000	*HK$'000*
Within 3 months	**734,842**	627,850
4 to 6 months	**56,391**	29,746
7 to 12 months	**50,411**	34,451
1 to 2 years	**35,019**	15,380
2 to 3 years	**3,228**	3,900
More than 3 years	**15,566**	13,684
	895,457	725,011
Less: Provision for impairment	**(24,990)**	(20,345)
	870,467	704,666

5 Reserves

	Unaudited					
	Share premium *HK$'000*	Capital reserve *HK$'000*	Statutory reserves *HK$'000*	Share-based payment reserve *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*
At 1 January 2012	1,351,525	176,819	202,447	–	509,183	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	–	–	–	15,530	–	15,530
Currency translation differences	–	–	–	–	(11,323)	(11,323)
At 30 June 2012	1,346,067	176,819	202,447	15,530	597,855	2,338,718
At 1 January 2011	1,371,873	176,670	173,241	–	577,430	2,299,214
Repurchase of the Company's shares	–	–	–	–	(6,757)	(6,757)
Cancellation of shares repurchased	(20,348)	–	–	–	20,543	195
Dividends paid to equity holders of the Company	–	–	–	–	(48,977)	(48,977)
Profit for the period	–	–	–	–	135,010	135,010
Currency translation differences	–	–	–	–	50,697	50,697
At 30 June 2011	1,351,525	176,670	173,241	–	727,946	2,429,382

(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.

6 Trade and bill payables

Ageing analysis of trade and bill payables is as follows:

	30 June 2012 Unaudited	31 December 2011 Audited
	HK$'000	*HK$'000*
Within 3 months	**234,106**	195,371
4 to 6 months	**42,318**	25,817
7 to 12 months	**16,854**	23,163
1 to 3 years	**11,103**	14,474
More than 3 years	**1,351**	1,161
	305,732	259,986

7 Operating profit

The following items have been charged/(credited) to the operating profit during the six months ended 30 June 2012 and 2011:

	Six months ended 30 June	
	2012 Unaudited	2011 Unaudited
	HK$'000	*HK$'000*
Gain on disposal of property, plant and equipment	**(998)**	(142)
Depreciation of property, plant and equipment	**63,041**	45,404
Reversal of provision for impairment of inventories	**(442)**	(580)
Provision for/(Reversal of) impairment of receivables	**4,783**	(3,384)
Amortisation of intangible assets	**9,943**	9,332
Amortisation of land use rights	**2,906**	2,844
Foreign exchange loss/(gain), net	**1,140**	(480)

8 Income tax expenses

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

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

Xi'an Lijun Pharmaceutical Co., Ltd., Shijiazhuang No. 4 Pharmaceutical Co., Ltd., Hebei Jinmen Pharmaceutical Import & Export Co., Ltd., Hebei Guolong Pharmaceutical Co., Ltd., Hebei Guangxiang Pharmaceutical Technology Co., Ltd., and Hebei Guangxiang Logistics Co., Ltd., the subsidiaries of the Company, established and operate in Mainland China are subject to Mainland China Corporate Income Tax ("CIT") at an applicable rate of 25%.

Xi'an Lijun Pharmaceutical Co., Ltd. and Shijiazhuang No. 4 Pharmaceutical Co., Ltd. are qualified as high technology enterprises and entitled to a 15% preferential CIT rate for the years from 2012 to 2014.

	Six months ended 30 June	
	2012	2011
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Current income tax	**32,633**	26,869
Deferred income tax	**91**	1,234
	32,724	28,103

9 Dividends

	Six months ended 30 June	
	2012	2011
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Interim dividend, proposed, of HK$2 cents (six months ended 30 June 2011: HK$2 cents) per ordinary share	**48,832**	48,896

At a meeting held on 21 August 2012, the directors recommended the payment of an interim dividend of HK$2 cents per ordinary share, totalling HK$48,832,000 in respect of the six months ended 30 June 2012. 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 2012.

In addition, the directors recommended bonus shares to be made on the basis of one bonus share for every five existing shares held by the shareholders of the Company whose names appear on its register of members on 28 September 2012 and to be paid through capitalisation of the Company's share premium account, subject to the approval of the shareholders of the Company at the extraordinary general meeting. Bonus shares are not entitled to the interim dividend.

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	
	2012	2011
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**148,860**	135,010
Weighted average number of ordinary shares in issue (thousands)	**2,444,279**	2,447,232
Basic earnings per share (HK$ per share)	**0.0609**	0.0552

(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	
	2012	2011
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Profit used to determine diluted earnings per share	**148,860**	135,010
Weighted average number of ordinary shares in issue (thousands)	**2,444,279**	2,447,232
Adjustment for share options (thousands)	**916**	–
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**2,445,195**	2,447,232
Diluted earnings per share (HK$ per share)	**0.0609**	0.0552

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 2012, the cash and cash equivalents aggregated to HK$240,366,000 (31 December 2011: HK$257,980,000), comprising HK$4,065,000 (31 December 2011: HK$50,688,000) of cash and cash equivalents denominated in Hong Kong dollars, HK$234,692,000 (31 December 2011: HK$204,418,000) in RMB and HK$1,609,000 (31 December 2011: HK$2,874,000) in other currencies.

As at 30 June 2012, the Group has pledged bank deposits amounting to HK$2,656,000 (31 December 2011: HK$4,443,000) as guarantee of payables for property, plant and equipment and bills payable.

The carrying amounts of the borrowings amounting to HK$565,239,000 as at 30 June 2012 (31 December 2011: HK$416,615,000), comprising HK$117,507,000 (31 December 2011: HK$151,412,000) of borrowings denominated in Hong Kong dollars and HK$447,732,000 (31 December 2011: HK$265,203,000) in RMB.

Gearing ratio (defined as bank borrowings less cash and cash equivalents divided by total capital) increased from 6.5% as at 31 December 2011 to 11.9% as at 30 June 2012.

Current ratio (defined as current assets divided by current liabilities) decreased from 1.42 as at 31 December 2011 to 1.39 as at 30 June 2012.

FOREIGN EXCHANGE RISK

Majority of the Group's businesses are operated in the PRC and are denominated in RMB and HK dollar. The Group is of the opinion that its exposure to foreign exchange rate risk is limited. Hence, no financial instrument for hedging was employed. The Group is closely monitoring the financial market and would consider appropriate measures if required.

MATERIAL ACQUISITIONS AND DISPOSALS

There was no material acquisition or disposal of subsidiaries or associates during the six months ended 30 June 2012.

PLEDGE OF ASSETS

As at 30 June 2012, the net book amount of the Group's land use right of HK$57,706,000 (31 December 2011: HK$50,025,000), the net book amount of the Group's buildings, plant and machineries of HK$408,329,000 (31 December 2011: HK$246,470,000) and bank deposits of HK$2,656,000 (31 December 2011: HK$4,443,000) were pledged as collateral for the Group's bank borrowings, payables for property, plant and equipment and bills payable.

CONTINGENT LIABILITIES

As at 30 June 2012, the Group did not have any significant contingent liabilities.

INTERIM DIVIDEND

The Directors resolved to pay on 3 October 2012 an interim dividend of HK$0.02 per share (amounting to a total of approximately HK$48,832,000) for the six months ended 30 June 2012 to the shareholders named in the register of members of the Company on 17 September 2012. The interim dividend represents a payout rate of 32.8% of net profit attributable to the equity holders of the Company for the six months ended 30 June 2012.

PROPOSED BONUS ISSUE

In recognition of the continual support of the shareholders, the Directors resolved to propose the bonus issue, being a bonus issue of new shares on the basis of one bonus share for every five existing shares, to shareholders whose names appear on the register of members of the Company on 28 September 2012 for approval by the shareholders at the extraordinary general meeting. An amount standing to the credit of the share premium account of the Company will be capitalised and applied in making payment in full, at par value, for the bonus shares. Upon issuance and being credited as fully paid up, the bonus shares will rank pari passu in all respects with the then existing shares. To qualify for the bonus issue, any transfer of shares must be lodged for registration by 4:30 p.m. on 25 September 2012.

EXCHANGE RATE

As at 2012 and 2011, the exchange rates of converting HK$ into RMB (as calculated in HK$) were:

1 January 2011	0.85093
30 June 2011	0.83162
31 December 2011	0.81070
30 June 2012	0.81522

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Save for the purchase of 3,210,000 shares in March, April and June 2012 which details are set out in the next paragraph, 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 2012.

For the six months ended 30 June 2012, the Company acquired an aggregate of 3,210,000 ordinary shares through purchases on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration (including transaction costs) of HK$5,519,607 with a view to benefit shareholders as a whole in enhancing the net assets value and earnings per share of the Company. All of the purchased shares were subsequently cancelled on 30 April 2012 and 29 June 2012.

Date of the purchases	Total number of the ordinary shares purchased	Highest price paid per share *HK$*	Lowest price paid per share *HK$*	Aggregate consideration *HK$*
28 March 2012	620,000	1.61	1.58	993,367
29 March 2012	620,000	1.61	1.57	996,676
11 April 2012	330,000	1.60	1.56	528,898
4 June 2012	1,640,000	1.84	1.78	3,000,666
	3,210,000			5,519,607

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 4 October 2010, all of the share options granted were exercised.

As at 3 May 2012, the Company granted 40,000,000 share options, 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. As at 30 June 2012, all of the share options granted remained outstanding.

The Directors resolved to terminate the Scheme and propose the adoption of the new share option scheme ("New Scheme") which will be valid for 10 years from the adoption date for approval by the shareholders at the extraordinary general meeting. Details of the termination of the Scheme and adoption of the New Scheme will be contained in a notice and a circular of extraordinary general meeting to be published and dispatched in due course.

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 21 August 2012, and at all times during the six months ended 30 June 2012.

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 2012.

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 2012, 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 2012 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 2012.

CLOSURE OF REGISTER OF MEMBERS

To qualify for the entitlement to the interim dividend and to attend and vote at the forthcoming extraordinary general meeting, the register of members of the Company will be closed from Tuesday, 18 September 2012 to Thursday, 20 September 2012 both days inclusive ("First Book Close"), during which period, no transfer of shares will be registered.

To qualify for the entitlement to the proposed bonus issue, the register of members of the Company will be closed from Wednesday, 26 September 2012 to Friday, 28 September 2012 both days inclusive ("Second Book Close"), during which period, no transfer of shares will be registered.

All properly completed transfer forms accompanied by the relevant share certificates 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 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m., Monday, 17 September 2012 for the First Book Close and 4:30 p.m., Tuesday, 25 September 2012 for the Second Book Close.

PUBLICATION OF THE INTERIM REPORT

The 2012 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, 21 August 2012

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