

# 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

# 2013

## CORPORATE INFORMATION

### STOCK CODE

2005

### EXECUTIVE DIRECTORS

Mr. Wu Qin (*Chairman*)  
Mr. Qu Jiguang  
Mr. Xie Yunfeng  
Mr. Wang Xianjun  
Mr. Duan Wei

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Yibing  
Mr. Leung Chong Shun  
Mr. Chow Kwok Wai

### COMPANY SECRETARY

Mr. Chan Ka Kit

### 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

Rooms 2101-2, 21st Floor,  
Harbour Centre, 25 Harbour Road  
Wanchai, Hong Kong

### AUTHORISED REPRESENTATIVES

Mr. Wang Xianjun  
Mr. Xie Yunfeng

### 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

### NOMINATION COMMITTEE

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

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company  
(Cayman) Limited  
4th Floor, Royal Bank House,  
24 Shedden Road  
George Town, Grand Cayman KY1-1110  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor  
Services Limited  
Shops 1712-1716  
17th Floor  
Hopewell Centre  
183 Queen's Road East,  
Wanchai, Hong Kong

### PRINCIPAL BANKERS

Bank of China  
Bank of China (Hong Kong) Ltd.  
Industrial and Commercial Bank of China  
China Construction Bank  
China Merchants Bank  
China Minsheng Banking Corp., Ltd.  
China CITIC Bank  
Hang Seng Bank  
China CITIC Bank International  
Bank of Communications  
Shanghai Pudong Development Bank  
Agricultural Bank of China  
Bank of Hebei

### LEGAL ADVISER TO THE COMPANY AS TO HONG KONG LAW

DLA Piper Hong Kong

### AUDITORS

PricewaterhouseCoopers

### WEBSITE

<http://www.lijun.com.hk>

## CHAIRMAN'S STATEMENT

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

### (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.

**Wu Qin**  
**Chairman of the board of directors of**  
**Lijun International Pharmaceutical (Holding) Co., Ltd.**

Hong Kong, 28 August 2013

## MANAGEMENT DISCUSSION AND ANALYSIS

### SALES

The Group's total sales increased from HK\$1,223,626,000 for the corresponding period last year by 15.3% to HK\$1,410,483,000 for the six months ended 30 June 2013.

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

### **INTRAVENOUS INFUSION SOLUTION**

The Group's intravenous infusion solution products were mainly manufactured and sold by Shijiazhuang No. 4 Pharmaceutical Co., Ltd. ("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 2013 was HK\$840,110,000 (30 June 2012: HK\$665,442,000), in which sales of intravenous infusion solution products accounted for HK\$755,444,000 (30 June 2012: HK\$602,932,000).

Among the intravenous infusion solution products, sales of PP Plastic Bottle Infusion Solution was HK\$233,238,000, an increase of 3.8% as compared with corresponding period of last year and accounted for 30.9% of total sales of intravenous infusion solution; sales of Non-PVC Soft Bag Infusion Solution was HK\$386,010,000, an increase of 46.0% as compared with corresponding period of last year and accounted for 51.1% of total sales of intravenous infusion solution; sales of Glass Bottle Infusion Solution was HK\$136,196,000, an increase of 19.5% as compared with corresponding period of last year and accounted for 18.0% of total sales of intravenous infusion solution. The increase in sales was mainly attributable to expansion in production capacity.

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

## **ANTIBIOTICS**

For the six months ended 30 June 2013, sales of Lijunsha increased by 5.6% to HK\$191,883,000 (30 June 2012: HK\$181,775,000), sales of Paiqi decreased by 5.4% to HK\$53,975,000 (30 June 2012: HK\$57,040,000) and sales of other antibiotics finished products increased by 9.4% to HK\$84,262,000 (30 June 2012: HK\$77,007,000). Overall sales of antibiotics finished medicines increased by 4.5% to HK\$330,120,000 (30 June 2012: HK\$315,822,000).

Reliance of the Group's sales on antibiotics products continued to decrease. Sales proportion of antibiotics products to total Group's sales decreased from 25.8% for the six months ended 30 June 2012 to 23.4% for the six months ended 30 June 2013, and sales proportion of Lijunsha accounted for only 13.6% of the total Group's sales for the six months ended 30 June 2013, comparing to 14.9% in the same period last year.

## **NON-ANTIBIOTICS FINISHED MEDICINES**

Sales of the Group's non-antibiotics finished medicines decreased by 3.1% to HK\$182,571,000 (30 June 2012: HK\$188,430,000). Among which, sales of Dobesilate increased by 25.5% to HK\$44,704,000 (30 June 2012: HK\$35,615,000) and sales of Lixiding increased by 12.5% to HK\$19,898,000 (30 June 2012: HK\$17,689,000).

## **BULK PHARMACEUTICALS**

Export sales of bulk pharmaceuticals for the six months ended 30 June 2013 amounted to HK\$57,567,000, increased by 7.3% as compared to the corresponding period last year of HK\$53,654,000.

### **COST OF GOODS SOLD AND GROSS PROFIT**

Cost of goods sold increased by 13.0% to HK\$780,636,000 for the six months ended 30 June 2013 as compared to the corresponding period last year of HK\$690,717,000. The cost of direct materials, direct labour and other costs represented approximately 71%, 13% and 16% of the total cost of goods sold respectively, while their comparative percentage for 2012 were 72%, 11% and 17% respectively.

For the six months ended 30 June 2013, the Group recorded a total gross profit of HK\$629,847,000. Overall gross profit margin had increased by 1.1 percentage point to 44.7% for the six months ended 30 June 2013, from 43.6% for the corresponding period last year. The increase of gross profit margin was due to the factors that include the expansion of production capacity of intravenous infusion products especially on high profit margin items.

### **SELLING AND MARKETING EXPENSES**

For the six months ended 30 June 2013, selling and marketing expenses amounted to approximately HK\$245,369,000 (30 June 2012: HK\$206,324,000), which mainly consisted of advertising expenses of approximately HK\$36,632,000 (30 June 2012: HK\$32,934,000), sales commission of approximately HK\$78,549,000 (30 June 2012: HK\$66,791,000), salary expenses of sales and marketing staff of approximately HK\$21,372,000 (30 June 2012: HK\$21,459,000) and transportation cost of approximately HK\$75,146,000 (30 June 2012: HK\$44,856,000).

Selling and marketing expenses increased by 18.9% for the six months ended 30 June 2013 as compared with that of the corresponding period last year mainly due to the Group's increased sales of intravenous infusion solution.

### GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the six months ended 30 June 2013 was HK\$140,937,000 (30 June 2012: HK\$138,134,000) which mainly comprised of salaries expenses for the administrative staff of approximately HK\$63,466,000 (30 June 2012: HK\$52,545,000), and depreciation and amortisation of approximately HK\$22,072,804 (30 June 2012: HK\$26,269,000).

The increase of 2.0% in general and administrative expense as compared to that of the corresponding period last year was mainly attributable to expansion of the Group's operations, increase in salaries expenses for the administrative staff.

### OPERATING PROFIT

For the six months ended 30 June 2013, the Group's operating profit amounted to HK\$294,906,000 representing an increase of 49.8% as compared to that of the corresponding period last year with operating profit margin (defined as operating profit divided by total sales) increased from 16.1% to 20.9%.

### FINANCE COSTS

The Group's finance costs for the period amounted to HK\$24,022,000 (30 June 2012: HK\$16,043,000), of which HK\$22,980,000 (30 June 2012: HK\$13,666,000) related to bank borrowings. The increase in finance costs as compared to that of the corresponding period last year was due to the increase in bank loan and interest rate.

### INCOME TAX EXPENSE

Both Xi'an Lijun and Shijiazhuang No. 4 Pharma had obtained the high-tech enterprise certification recognition and entitled to enjoy a 15% preferential income tax policy for the years from 2012 to 2014. For the six months ended 30 June 2013, the overall income tax expense amounted HK\$44,161,000 (30 June 2012: HK\$32,724,000).

### **PROFIT ATTRIBUTABLE TO EQUITY HOLDERS**

The profit attributable to equity holders of the Company for the six months ended 30 June 2013 increased by 52.7% to HK\$227,330,000 while net profit margin (defined as profit attributable to equity holders of the Company for the period divided by total sales) increased from 12.2% to 16.1% for the corresponding period last year.

### **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 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 HK\$2 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.

## **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 and responsibilities of the Directors and their contributions to the Group.

As at 30 June 2013, the Group had approximately 4,700 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 2013 was HK\$186,584,000 (30 June 2012: HK\$149,766,000).

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARES

As at 30 June 2013, 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                              | 42,504,000            | 1.45%   |
| Mr. Qu Jiguang   | Beneficial owner                              | 25,200,000            | 0.86%   |
|                  | Interest in a controlled corporation (Note 1) | 715,900,000           | 24.43%  |

Note:

1. 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.

Save as disclosed above, as at 30 June 2013, 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.

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES**

Save as disclosed under the sections headed "Directors' and chief executives' interests in the shares" and "Share option scheme", at no time for the six months ended 30 June 2013 were rights to acquire benefits by means of the acquisition of shares or debentures of the Company granted to any directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire such rights in any other body corporate.

### **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 2013, 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**

| <b>Name of Shareholder</b>               | <b>Capacity</b>                             | <b>Number of shares</b> | <b>% of the issued share capital of the Company</b> |
|--|---|-------------------------|---|
| Prime United Industries Limited (Note 1) | Beneficial owner                            | 769,986,000             | 26.28%  |
| CPCL (Note 2)                            | Beneficial owner                            | 715,900,000             | 24.43%  |
| Mr. Qu Jiguang                           | Beneficial owner                            | 25,200,000              | 0.86%   |
|  | Interest of controlled corporation (Note 2) | 715,900,000             | 24.43%  |

*Notes:*

- (1) Prime United Industries Limited is held as to about 8.86% by Mr. Wu Qin, an executive Director, as to about 4% by Mr. Xie Yunfeng, an executive Director, as to about 2.41% by Mr. Huang Chao, an executive Director and as to about 84.73% by Mr. Wu Qin, Mr. Xie Yunfeng and Mr. Huang Chao who jointly hold such shares on trust for 3,085 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. Xie Yunfeng and Mr. Huang Chao, 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.

**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.

On behalf of the Board

**Wu Qin**  
*Chairman*

Hong Kong, 28 August 2013



羅兵咸永道

**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 24 to 50, which comprises the interim condensed consolidated balance sheet of Lijun International Pharmaceutical (Holding) Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2013 and the related interim 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 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.

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*PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong  
T: +852 2289 8888, F: +852 2810 9888*



羅兵咸永道

## 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 2013

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2013

(All amounts in HK\$ unless otherwise stated)

|   | Note | 30 June<br>2013<br>Unaudited<br>HK\$'000 | 31 December<br>2012<br>Audited<br>HK\$'000 |
|---|------|--|--|
| <b>ASSETS</b>   |      |  |  |
| <b>Non-current assets</b>                                       |      |  |  |
| Land use rights   | 7    | 310,469                                  | 239,241                                    |
| Property, plant and equipment                                   | 7    | 1,975,937                                | 1,630,224                                  |
| Intangible assets   | 7    | 314,762                                  | 310,964                                    |
| Deferred income tax assets                                      |      | 22,141                                   | 21,175                                     |
| Available-for-sale financial assets                             |      | 162                                      | 159  |
| <b>Total non-current assets</b>                                 |      | <b>2,623,471</b>                         | 2,201,763                                  |
| <b>Current assets</b>   |      |  |  |
| Inventories   |      | 402,911                                  | 398,758                                    |
| Trade and bills receivables                                     | 8    | 876,642                                  | 826,943                                    |
| Financial assets at fair value through<br>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                                    |
| <b>Total current assets</b>                                     |      | <b>1,875,737</b>                         | 1,789,675                                  |
| <b>Total assets</b>   |      | <b>4,499,208</b>                         | 3,991,438                                  |
| <b>EQUITY</b>   |      |  |  |
| <b>Equity attributable to equity holders<br/>of the Company</b> |      |  |  |
| Share capital   | 9    | 65,405                                   | 65,405                                     |
| Reserves  | 10   | 2,638,452                                | 2,423,087                                  |
|   |      | <b>2,703,857</b>                         | 2,488,492                                  |
| <b>Non-controlling interests</b>                                |      | <b>619</b>                               | 604  |
| <b>Total equity</b>   |      | <b>2,704,476</b>                         | 2,489,096                                  |

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2013

(All amounts in HK\$ unless otherwise stated)

|  | Note | 30 June<br>2013<br>Unaudited<br>HK\$'000 | 31 December<br>2012<br>Audited<br>HK\$'000 |
|--|------|--|--|
| <b>LIABILITIES</b>                           |      |  |  |
| <b>Non-current liabilities</b>               |      |  |  |
| Borrowings                                   | 13   | 439,703                                  | 306,034                                    |
| Deferred income tax liabilities              |      | 23,772                                   | 23,783                                     |
| Deferred revenue                             |      | 7,446                                    | 7,795                                      |
| Post-employment benefit obligation           | 11   | 10,527                                   | 10,925                                     |
| <b>Total non-current liabilities</b>         |      | <b>481,448</b>                           | 348,537                                    |
| <b>Current liabilities</b>                   |      |  |  |
| Trade and bills payables                     | 12   | 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                                   | 13   | 540,565                                  | 522,474                                    |
| <b>Total current liabilities</b>             |      | <b>1,313,284</b>                         | 1,153,805                                  |
| <b>Total liabilities</b>                     |      | <b>1,794,732</b>                         | 1,502,342                                  |
| <b>Total equity and liabilities</b>          |      | <b>4,499,208</b>                         | 3,991,438                                  |
| <b>Net current assets</b>                    |      | <b>562,453</b>                           | 635,870                                    |
| <b>Total assets less current liabilities</b> |      | <b>3,185,924</b>                         | 2,837,633                                  |

The financial information on page 24 to 50 were approved by the Board of Directors on 28 August 2013 and were signed on its behalf.

**WU QIN**  
DIRECTOR

**QU JIGUANG**  
DIRECTOR

The notes on page 31 to 50 form an integral part of this condensed consolidated interim financial information.

## 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<br>Unaudited<br>HK\$'000 | 2012<br>Unaudited<br>HK\$'000 |
| Revenue  | 6    | 1,410,483                     | 1,223,626                     |
| Cost of sales                                    |      | (780,636)                     | (690,717)                     |
| <b>Gross profit</b>                              |      | <b>629,847</b>                | 532,909                       |
| Other gains — net                                |      | 51,365                        | 8,420                         |
| Selling and marketing costs                      |      | (245,369)                     | (206,324)                     |
| General and administrative expenses              |      | (140,937)                     | (138,134)                     |
| <b>Operating profit</b>                          | 14   | <b>294,906</b>                | 196,871                       |
| Finance income                                   |      | 611                           | 755                           |
| Finance costs                                    |      | (24,022)                      | (16,043)                      |
| Finance costs — net                              |      | (23,411)                      | (15,288)                      |
| <b>Profit before income tax</b>                  |      | <b>271,495</b>                | 181,583                       |
| Income tax expenses                              | 15   | (44,161)                      | (32,724)                      |
| <b>Profit for the period</b>                     |      | <b>227,334</b>                | 148,859                       |
| <b>Other comprehensive income:</b>               |      |                               |                               |
| Currency translation differences                 |      | 46,645                        | (11,326)                      |
| <b>Total comprehensive income for the period</b> |      | <b>273,979</b>                | 137,533                       |

## 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<br>Unaudited<br>HK\$'000 | 2012<br>Unaudited<br>HK\$'000 |
| <b>Profit attributable to:</b>   |      |                               |                               |
| — Equity holders of the Company  |      | 227,330                       | 148,860                       |
| — Non-controlling interests  |      | 4                             | (1)                           |
|  |      | <b>227,334</b>                | 148,859                       |
| <b>Total comprehensive income attributable to:</b>   |      |                               |                               |
| — Equity holders of the Company  |      | 273,964                       | 137,537                       |
| — Non-controlling interests  |      | 15                            | (4)                           |
|  |      | <b>273,979</b>                | 137,533                       |
| <b>Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in HK\$ per share)</b> |      |                               |                               |
| — Basic  | 17   | 0.0776                        | 0.0508                        |
| — Diluted  | 17   | 0.0773                        | 0.0507                        |

The notes on page 31 to 50 form an integral part of this condensed consolidated interim financial information.

|                             | Note | Six months ended 30 June      |                               |
|-----------------------------|------|-------------------------------|-------------------------------|
|                             |      | 2013<br>Unaudited<br>HK\$'000 | 2012<br>Unaudited<br>HK\$'000 |
| <b>Dividends (proposed)</b> | 16   | <b>58,599</b>                 | 48,832                        |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

(All amounts in HK\$ unless otherwise stated)

|   | Unaudited                                     |           |           |                           |              |
|---|---|-----------|-----------|---------------------------|--------------|
|   | Attributable to equity holders of the Company |           |           | Non-controlling interests | Total equity |
|   | Share capital                                 | Reserves  | Total     |                           |              |
| HK\$'000  | HK\$'000                                      | HK\$'000  | HK\$'000  | HK\$'000                  |              |
| <b>Balance at 1 January 2013</b>                | 65,405  | 2,423,087 | 2,488,492 | 604                       | 2,489,096    |
| <b>Comprehensive income</b>                     |   |           |           |                           |              |
| Profit for the period                           | –   | 227,330   | 227,330   | 4                         | 227,334      |
| <b>Other comprehensive income</b>               |   |           |           |                           |              |
| Currency translation differences                | –   | 46,634    | 46,634    | 11                        | 46,645       |
| <b>Total comprehensive income</b>               | 65,405  | 2,697,051 | 2,762,456 | 619                       | 2,763,075    |
| <b>Transactions with equity holders</b>         |   |           |           |                           |              |
| Dividends paid to equity holders of the Company | –   | (58,599)  | (58,599)  | –                         | (58,599)     |
| <b>Total transactions with equity holders</b>   | –   | (58,599)  | (58,599)  | –                         | (58,599)     |
| <b>Balance at 30 June 2013</b>                  | 65,405  | 2,638,452 | 2,703,857 | 619                       | 2,704,476    |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2013  
(All amounts in HK\$ unless otherwise stated)*

|   | Unaudited  |                 |                 |                                  |                 |
|---|--|-----------------|-----------------|----------------------------------|-----------------|
|   | Attributable to equity holders of<br>the Company |                 |                 | Non-<br>controlling<br>interests | Total<br>equity |
|   | Share<br>capital                                 | Reserves        | Total           |                                  |                 |
|   | <i>HK\$'000</i>                                  | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i>                  | <i>HK\$'000</i> |
| <b>Balance at 1 January 2012</b>  | 55,703   | 2,239,974       | 2,295,677       | 616                              | 2,296,293       |
| <b>Comprehensive income</b>   |  |                 |                 |                                  |                 |
| Profit for the period   | –  | 148,860         | 148,860         | (1)                              | 148,859         |
| <b>Other comprehensive income</b>   |  |                 |                 |                                  |                 |
| Currency translation differences  | –  | (11,323)        | (11,323)        | (3)                              | (11,326)        |
| <b>Total comprehensive income</b>   | –  | 137,537         | 137,537         | (4)                              | 137,533         |
| <b>Transactions with equity holders</b>                                       |  |                 |                 |                                  |                 |
| Repurchase of the Company's shares<br><i>(Note 10)</i>                        | –  | (5,520)         | (5,520)         | –                                | (5,520)         |
| Cancellation of shares repurchased<br><i>(Note 10)</i>                        | (64)   | 62              | (2)             | –                                | (2)             |
| Dividends paid to equity holders of the<br>Company                            | –  | (48,865)        | (48,865)        | –                                | (48,865)        |
| Employee share option scheme<br>— value of employee services <i>(Note 10)</i> | –  | 15,530          | 15,530          | –                                | 15,530          |
| <b>Total transactions with equity holders</b>                                 | (64)   | (38,793)        | (38,857)        | –                                | (38,857)        |
| <b>Balance at 30 June 2012</b>  | 55,639   | 2,338,718       | 2,394,357       | 612                              | 2,394,969       |

The notes on page 31 to 50 form an integral part of this condensed consolidated interim financial information.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

(All amounts in HK\$ unless otherwise stated)

|  | Six months ended 30 June      |                               |
|--|-------------------------------|-------------------------------|
|  | 2013<br>Unaudited<br>HK\$'000 | 2012<br>Unaudited<br>HK\$'000 |
| Cash flows generated from operating activities — net | 394,176                       | 45,956                        |
| Cash flows used in investing activities — net        | (447,401)                     | (162,740)                     |
| Cash flows generated from financing activities — net | 70,748                        | 99,977                        |
| Net increase/(decrease) in cash and cash equivalents | 17,523                        | (16,807)                      |
| Cash and cash equivalents at 1 January               | 411,783                       | 257,980                       |
| Effect of foreign exchange rate changes              | 4,813                         | (807)                         |
| Cash and cash equivalents at 30 June                 | 434,119                       | 240,366                       |

The notes on page 31 to 50 form an integral part of this condensed consolidated interim financial information.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

*For the six months ended 30 June 2013*

*(All amounts in HK\$ 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 2013.

This condensed consolidated interim financial information has been reviewed, not audited.

### 2 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").

### 3 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.

#### 4 ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2012.

#### 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

##### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2012.

There have been no changes in the risk management department since year end or in any risk management policies since the year end.

##### 5.2 Liquidity risk

Compared to the previous year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

##### 5.3 Fair value estimation

The different levels of financial instruments carried at fair value, by valuation method, have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

**5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS** *(Continued)*

**5.3 Fair value estimation** *(Continued)*

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As of 30 June 2013, the Group has financial assets at fair values through profit or loss, amounted to HK\$4,486,473 (31 December 2012: Nil), the fair value of which were recorded during the period ended 30 June 2013 based on quoted market prices at the reporting date (level 1).

The carrying values of receivables (net of impairment provision) and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

For the six months ended 30 June 2013, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities. Moreover, there were no significant reclassifications of financial assets.

**6 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 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 bills receivables, prepayments, deposits and other receivables, pledged bank deposits and cash and cash equivalents. Unallocated assets mainly comprise corporate cash.

**6 SEGMENT INFORMATION** (Continued)

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

6 SEGMENT INFORMATION (Continued)

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

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

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

**7 LAND USE RIGHTS, PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS**

|                                | Unaudited          |                                     |                 |                               |                               |
|--------------------------------|--------------------|-------------------------------------|-----------------|-------------------------------|-------------------------------|
|                                | Land<br>use rights | Property,<br>plant and<br>equipment | Goodwill        | Other<br>intangible<br>assets | Total<br>intangible<br>assets |
|                                | <i>HK\$'000</i>    | <i>HK\$'000</i>                     | <i>HK\$'000</i> | <i>HK\$'000</i>               | <i>HK\$'000</i>               |
| <b>Six months ended</b>        |                    |                                     |                 |                               |                               |
| <b>30 June 2013</b>            |                    |                                     |                 |                               |                               |
| <b>Opening net book amount</b> |                    |                                     |                 |                               |                               |
| <b>as at 1 January 2013</b>    | 239,241            | 1,630,224                           | 248,610         | 62,354                        | 310,964                       |
| Additions                      | 69,130             | 381,958                             | –               | 285                           | 285                           |
| Disposals                      | –                  | (554)                               | –               | –                             | –                             |
| Depreciation/Amortisation      | (3,407)            | (67,834)                            | –               | (2,009)                       | (2,009)                       |
| Exchange differences           | 5,505              | 32,143                              | 4,417           | 1,105                         | 5,522                         |
| <hr/>                          |                    |                                     |                 |                               |                               |
| <b>Closing net book amount</b> |                    |                                     |                 |                               |                               |
| <b>as at 30 June 2013</b>      | 310,469            | 1,975,937                           | 253,027         | 61,735                        | 314,762                       |
| <hr/>                          |                    |                                     |                 |                               |                               |
| <b>Six months ended</b>        |                    |                                     |                 |                               |                               |
| <b>30 June 2012</b>            |                    |                                     |                 |                               |                               |
| <b>Opening net book amount</b> |                    |                                     |                 |                               |                               |
| <b>as at 1 January 2012</b>    | 220,433            | 1,444,819                           | 248,610         | 68,286                        | 316,896                       |
| Additions                      | –                  | 87,831                              | –               | 3,433                         | 3,433                         |
| Disposals                      | –                  | (8,218)                             | –               | –                             | –                             |
| Depreciation/Amortisation      | (2,906)            | (63,041)                            | –               | (9,943)                       | (9,943)                       |
| Exchange differences           | (1,214)            | (8,051)                             | –               | (361)                         | (361)                         |
| <hr/>                          |                    |                                     |                 |                               |                               |
| <b>Closing net book amount</b> |                    |                                     |                 |                               |                               |
| <b>as at 30 June 2012</b>      | 216,313            | 1,453,340                           | 248,610         | 61,415                        | 310,025                       |
| <hr/>                          |                    |                                     |                 |                               |                               |

As at 30 June 2013, the Group's land use rights and property, plant and equipment with net book amounts of HK\$48,942,000 (31 December 2012: HK\$48,724,000) and HK\$210,016,000 (31 December 2012: HK\$249,166,100) respectively were pledged as collateral for the Group's bank borrowings (Note 13).

**8 TRADE AND BILLS RECEIVABLES**

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:

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

**9 SHARE CAPITAL**

|   | <b>Number of<br/>shares<br/>'000</b> | Ordinary<br>shares<br>HK\$'000 |
|---|--------------------------------------|--------------------------------|
| <b>Authorised</b>   |                                      |                                |
| At 30 June 2012 and 2013 (ordinary shares with par value of HK\$ 0.02 each) | <b>10,000,000</b>                    | 200,000                        |
| <b>Issued and fully paid up</b>   |                                      |                                |
| At 1 January 2013 and 30 June 2013 (unaudited)                              | <b>2,929,925</b>                     | 65,405                         |
| At 1 January 2012   | <b>2,444,814</b>                     | 55,703                         |
| Cancellation on repurchase of the Company's shares                          | <b>(3,210)</b>                       | (64)                           |
| At 30 June 2012 (unaudited)   | <b>2,441,604</b>                     | 55,639                         |

**10 RESERVES**

|   | Unaudited                           |                                       |  |  |   |   |                          |
|---|-------------------------------------|---------------------------------------|--|--|---|---|--------------------------|
|   | Share<br>premium<br><i>HK\$'000</i> | Capital<br>reserve<br><i>HK\$'000</i> | Statutory<br>reserves<br><i>HK\$'000</i> | Share-<br>based<br>payment<br>reserve<br><i>HK\$'000</i> | Currency<br>translation<br>differences<br><i>HK\$'000</i> | Retained<br>earnings<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
| <b>At 1 January 2013</b>                                      | 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                   |
| <b>At 30 June 2013</b>  | 1,262,730                           | 176,819                               | 238,510                                  | 15,530   | 128,438   | 816,425                                 | 2,638,452                |
| <b>At 1 January 2012</b>                                      | 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)                 |
| <b>At 30 June 2012</b>  | 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.

**10 RESERVES** *(Continued)*

- (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:

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

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

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

**10 RESERVES** *(Continued)*

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.

**11 POST-EMPLOYMENT BENEFIT OBLIGATION**

The maturity profile of the post-employment benefit obligation is as follows:

|   | <b>30 June<br/>2013<br/>Unaudited<br/>HK\$'000</b> | 31 December<br>2012<br>Audited<br>HK\$'000 |
|---|--|--|
| Within 1 year   | <b>583</b>   | 577  |
| Between 1 to 2 years                                  | <b>601</b>   | 547  |
| Between 2 to 5 years                                  | <b>1,340</b>                                       | 1,473                                      |
| More than 5 years                                     | <b>8,586</b>                                       | 8,905                                      |
|   | <b>11,110</b>                                      | 11,502                                     |
| Less: Current portion included in current liabilities | <b>(583)</b>                                       | (577)                                      |
|   | <b>10,527</b>                                      | 10,925                                     |

**12 TRADE AND BILLS PAYABLES**

Ageing analysis of trade and bills payables is as follows:

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

**13 BORROWINGS**

|  | <b>30 June<br/>2013<br/>Unaudited<br/>HK\$'000</b> | 31 December<br>2012<br>Audited<br>HK\$'000 |
|--|--|--|
| <b>Non-current</b>                               |  |  |
| Non-current portion of long-term bank borrowings | <b>439,703</b>                                     | 306,034                                    |
| <b>Current</b>                                   |  |  |
| Current portion of long-term bank borrowings     | <b>90,265</b>                                      | 59,996                                     |
| Short-term bank borrowings                       | <b>450,300</b>                                     | 462,478                                    |
|  | <b>540,565</b>                                     | 522,474                                    |
| Total borrowings                                 | <b>980,268</b>                                     | 828,508                                    |
| Representing:                                    |  |  |
| Unsecured  | <b>433,117</b>                                     | 351,484                                    |
| Secured (i)                                      | <b>417,326</b>                                     | 325,150                                    |
| Guaranteed (ii)                                  | <b>129,825</b>                                     | 151,874                                    |
|  | <b>980,268</b>                                     | 828,508                                    |

**13 BORROWINGS** *(Continued)*

- (i) As at 30 June 2013, certain of the Group's borrowings were secured by the Group's land use rights with a net book amount of HK\$48,942,000 (31 December 2012: HK\$48,724,000), the Group's buildings, plant and machinery with a net book amount of HK\$210,016,000 (31 December 2012: HK\$249,166,100) (Note 7), and the Group's pledged deposits with amount of HK\$14,437,000 (31 December 2012: Nil).
- (ii) As at 30 June 2013, certain of the Group's bank borrowings were guaranteed by the Company (31 December 2012: Xi'an Lijun Pharmaceutical Co., Ltd., a wholly owned subsidiary of the Company).

Interest expenses on bank borrowings for the six months ended 30 June 2013 were HK\$22,980,000 (six months ended 30 June 2012: HK\$13,666,000).

Movements in borrowings were analysed as follows:

|                                      | <b>Unaudited</b><br><i>HK\$'000</i> |
|--------------------------------------|-------------------------------------|
| <b>Six months ended 30 June 2013</b> |                                     |
| As at 1 January 2013                 | 828,508                             |
| Proceeds from borrowings             | 434,108                             |
| Repayments of borrowings             | (297,513)                           |
| Exchange differences                 | 15,165                              |
|                                      | <b>980,268</b>                      |
| <b>As at 30 June 2013</b>            |                                     |
| <b>Six months ended 30 June 2012</b> |                                     |
| As at 1 January 2012                 | 416,615                             |
| Proceeds from borrowings             | 338,270                             |
| Repayments of borrowings             | (188,349)                           |
| Exchange differences                 | (1,297)                             |
|                                      | <b>565,239</b>                      |
| <b>As at 30 June 2012</b>            |                                     |

**14 OPERATING PROFIT**

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

**15 INCOME TAX EXPENSES**

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 Pharmaceutical Co., Ltd and Shijiazhuang No. 4 Pharmaceutical Co., Ltd 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.

**15 INCOME TAX EXPENSES** *(Continued)*

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:

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

**16 DIVIDENDS**

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

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.

**17 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.

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

**(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.

**17 EARNINGS PER SHARE (Continued)**

**(b) Diluted (Continued)**

|   | <b>Six months ended 30 June</b> |            |
|---|---------------------------------|------------|
|   | <b>2013</b>                     | 2012       |
|   | <b>Unaudited</b>                | Unaudited  |
|   | <b>HK\$'000</b>                 | HK\$'000   |
|   |                                 | (Restated) |
| Profit used to determine diluted earnings per share                                   | <b>227,330</b>                  | 148,860    |
| Weighted average number of ordinary shares in issue (thousands)                       | <b>2,929,925</b>                | 2,933,135  |
| Adjustment for share options (thousands)  | <b>11,500</b>                   | 1,100      |
| Weighted average number of ordinary shares for diluted earnings per share (thousands) | <b>2,941,425</b>                | 2,934,235  |
| Diluted earnings per share (HK\$ per share)   | <b>0.0773</b>                   | 0.0507     |

**18 RELATED-PARTY TRANSACTIONS**

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

| <b>Name</b>  | <b>Relationship</b>   |
|--|---|
| 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 26.25% interest in the Company as at 30 June 2013 |
| Xi'an Rejoy Packaging Materials Co., Ltd. ("Rejoy Packaging")    | Subsidiary of Rejoy Technology  |
| Xi'an Rejoy Medicine Co., Ltd. ("Rejoy Medicine")                | Subsidiary of Rejoy Group   |

**18 RELATED-PARTY TRANSACTIONS** (Continued)

- (b) Except for related party transactions disclosed elsewhere in this condensed consolidated 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      |                               |
|--|-----------------------|-------------------------------|-------------------------------|
|  |                       | 2013<br>Unaudited<br>HK\$'000 | 2012<br>Unaudited<br>HK\$'000 |
| Purchasing of raw materials and packaging materials from | — Rejoy Packaging     | 2,450                         | 2,359                         |
| Sales of finished goods to                               | — Rejoy Medicine      | 146                           | 1,485                         |
| Provision of utilities to                                | — Rejoy Packaging     | 107                           | 111                           |

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.

- (c) **Key management compensation**

|                     | Six months ended 30 June      |                               |
|---------------------|-------------------------------|-------------------------------|
|                     | 2013<br>Unaudited<br>HK\$'000 | 2012<br>Unaudited<br>HK\$'000 |
| Salaries and wages  | 10,162                        | 5,470                         |
| Share option scheme | —                             | 15,530                        |
|                     | 10,162                        | 21,000                        |

**18 RELATED-PARTY TRANSACTIONS** *(Continued)*

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

|  | <b>30 June<br/>2013<br/>Unaudited<br/>HK\$'000</b> | 31 December<br>2012<br>Audited<br>HK\$'000 |
|--|--|--|
| Amounts due from related parties included in trade receivables — Rejoy Medicine  | <b>2,679</b>                                       | 2,621                                      |
| Amounts due from related parties included in other receivables — Rejoy Packaging | <b>9</b>   | 30   |
| Amounts due to related parties included in trade payables — Rejoy Packaging      | <b>452</b>   | 333  |

The related party balances are unsecured, interest-free and have no pre-determined terms of repayment.

**19 COMMITMENTS**

**(a) Capital commitments**

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

|                               | <b>30 June<br/>2013<br/>Unaudited<br/>HK\$'000</b> | 31 December<br>2012<br>Audited<br>HK\$'000 |
|-------------------------------|--|--|
| Property, plant and equipment | <b>263,888</b>                                     | 65,255                                     |

**19 COMMITMENTS** *(Continued)*

**(b) Operating lease commitments**

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

|  | <b>30 June<br/>2013<br/>Unaudited<br/>HK\$'000</b> | 31 December<br>2012<br>Audited<br>HK\$'000 |
|--|--|--|
| Not later than one year                              | <b>3,000</b>                                       | 1,669                                      |
| Later than one year and not later than five<br>years | <b>2,867</b>                                       | 1,525                                      |
| More than five years                                 | <b>7,501</b>                                       | 7,559                                      |
|  | <b>13,368</b>                                      | 10,753                                     |

**20 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**

Details of the 2013 interim dividend proposed are described in Note 16.