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利君國際醫藥(控股)有限公司

Lijun International Pharmaceutical (Holding) Co., Ltd.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2005)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

On behalf of the board of directors of Lijun International Pharmaceutical (Holding) Co., Ltd. (the "Company"), I hereby present the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012.

1. RESULTS AND DIVIDEND DISTRIBUTION

Although still facing a difficult operating environment, the pharmaceutical industry in China has begun to turnaround during the year. As China's pharmaceutical tendering system becomes more scientific and reasonable, the downward slide of the prices of pharmaceutical products obviously has come to a halt. On the other hand, the mandatory implementation of the new GMP has increased the entry barrier of the industry, thereby further regulating and enhancing the competitive environment despite increased operating costs for the Company due to technical reform investments. Intravenous infusion solutions of the Company were the first to benefit from this as they were among the firsts to pass the new GMP certifications, which has bestowed them with the initiative of development to achieve sustained fast growth in the operating results.

During the year, the Group's revenue of its principal businesses amounted to HK$2,430,684,000, representing an increase of 12.8% as compared to the same period last year, among which, HK$1,012,510,000 was from Xi'an Lijun Pharmaceutical Co., Ltd. ("Xi'an Lijun"), representing a year-to-year decrease of 9.5%, and HK$1,418,174,000 was from Shijiazhuang No. 4 Pharmaceutical Co., Ltd. ("Shijiazhuang No. 4 Pharma"), representing a year-to-year increase of 36.8%. The Group achieved a net profit of HK$281,003,000 (loss of HK$41,401,000 for 2011 due to provision for goodwill and other reasons).

The board of directors recommended the payment of final dividend of HK$0.02 per share, totaling HK$58,599,000, and total dividend for the year was HK$107,431,000, representing an increase of 9.9% as compared to last year.

2. REVIEW OF OPERATING RESULTS

Revenue

For the year ended 31 December 2012, the revenue of the Group amounted to approximately HK$2,430,684,000, representing an increase of 12.8% as compared with HK$2,155,215,000 in last year. A breakdown of the revenue of the Group for the year ended 31 December 2012 is set out as follows:

	2012		2011		
	Sales	**Percentage of sales**	Sales	Percentage of sales	Change
	HK$'000	***%***	*HK$'000*	*%*	*%*
Intravenous Infusion Solution and others	**1,418,174**	**58.3**	1,036,463	48.1	36.8
(Including: Non-PVC Soft Bag Infusion Solution	**577,846**	**23.8**	366,459	17.0	57.7
PP Plastic Bottle Infusion Solution)	**442,021**	**18.2**	386,488	17.9	14.4
Antibiotics	**523,602**	**21.5**	629,355	29.2	(16.8)
(Including: Lijunsha	**261,422**	**10.8**	382,888	17.8	(31.7)
Paiqi)	**121,645**	**5.0**	112,456	5.2	8.2
Non-antibiotics finished medicines	**384,446**	**15.8**	375,973	17.4	2.3
(Including: Dobesilate	**89,165**	**3.7**	92,596	4.3	(3.7)
Lixiding	**36,920**	**1.5**	31,791	1.5	16.1
Sales of bulk pharmaceuticals	**103,421**	**4.3**	107,799	5.0	(4.1)
Others	**1,041**	**0.1**	5,625	0.3	(81.5)
Total	**2,430,684**	**100**	2,155,215	100	12.8

(1) Product marketing

1. Continued expansion of market share, further enhancement in structure and sustained growth in the scale of production and sales for intravenous infusion solutions

Rapid growth of the intravenous infusion solutions business has provided a strong support for the development of the Group on the whole. Shijiazhuang No. 4 Pharma's project of newly constructed modernized production line for soft-packaging infusion solutions and the construction of auxiliary stereoscopic logistics warehouse has completed construction and passed the new GMP certification. Coupled with the commencement of production of all new infusion products such as double-outlet double valve, the advantages brought by the growth in capacity and categories were obvious. Overall sales of intravenous infusion solutions amounted to HK$1,238,645,000, representing a year-to-year increase of 30.9%, of which growth of sales of soft-packaging infusion solutions was 57.7%.

Centering around the main theme of product mix adjustment and taking pharmaceutical tendering and bidding as a crucial duty, the Group's efforts in consolidating the existing market were paralleled by exploration of targeted hospitals in order to incessantly strengthen and diversify the forces and measures in selling soft-packaging infusion solutions and therapeutic infusion solutions, in order to achieve sustained growth in results through leveraging on products with high added-values. The success rate of bidding of therapeutic infusion solution was outstanding, and has fuelled and enhanced adjustments in the product mix.

The export and processing businesses continued to record growth, with three new countries as destinations of export, namely Thailand, Sierra Leone and Papua New Guinea. Currently, 45 specifications and 25 categories of products of Shijiazhuang No. 4 Pharma have completed product registration in 17 countries, which has further widened the sales channel and market for the export of infusion solutions, leading to rapid growth in the export and processing trading. Export and processing trading amounted to RMB102,000,000, representing a year-to-year increase of 65%.

2. Antibiotics products failed expectation as impacted by the "double-restriction" policy of China

Sales of antibiotics products of the Group were under increasing pressure under a sluggish market as impacted by the "double-restriction" policy of China in price and quantity. In face of the difficult situation, the Group has focused on product sales and continued to reinforce the development of terminal markets and sales expansion, which have retarded the downward momentum of the sales of antibiotic products to the largest extent. During the period, sales of antibiotics products amounted to HK$523,602,000, representing a year-to-year decrease of 16.8%. Among which, sales of Lijunsha amounted to HK$261,422,000, representing a year-to-year decrease of 31.7%, whereas sales of Azithromycin series was HK$121,645,000, representing a year-to-year increase of 8.2%.

3. ***Stable operation of key preparation products and general medicines***

Affected by the "toxic capsule" incident of other companies in China, Dobesilate recorded a decline in sales, and recorded a sales of HK$89,165,000 during the year, representing a year-to-year decrease of 3.7%. Sales of Lixiding amounted to HK$36,920,000, representing a year-to-year increase of 16.1%. Sales of OTC products including Haogan influenza drugs, Lijungai, Weikoujia and Kehao remained on a fast growth track, and the accumulated sales of OTC products amounted to HK$26,320,000 for the year, representing a year-to-year increase of 27%.

Pharmaceutical products other than intravenous infusion solutions of Shijiazhuang No. 4 Pharma recorded swift growth in sales in 2012, with the sales amounting to HK$179,529,000, representing a growth of 99.4%. Non-antibiotics products of Xi'an Lijun recorded overall sales of HK$384,446,000, representing an increase of 2.3% as compared to the same period last year.

(2) Progress in new product research and platform construction.

In 2012, Shijiazhuang No. 4 Pharma obtained 78 permits for production in total; Cefprozil Tablets and its method of preparation and Cefdinir Capsules and its method of preparation have obtained authorized patents; a total of 39 technical innovation items and a total of 30 innovation items for equipment energy-saving and consumption reduction were completed. At the same time, it has obtained 10 production permits of vertical PP infusion products with high market development value and production permit of sterilised water for injection with extensive clinical application value reflecting rich results achieved in the area of innovations. Shijiazhuang No. 4 Pharma was once again qualified as a new high technology enterprise of Hebei Province.

Last year, Xi'an Lijun has obtained the production permits and health food permits for Lingzhihongqu Capsules, 6 production permits for new products, including health food permit for Lingzhihong Capsule, production permit for Edaravone raw materials and injection, production permit for Nalmefene Hydrochloride raw materials and injection, and new drug certificate and production permit for Glipizide Tablets. The joint application with Sichuan University for the new drug for Alzheimer's disease also received the rolling support of China's Twelfth Five-year Plan Major New Drug Innovation Pre-clinical Research Project, and was listed in the Consolidated Major Platform for Innovative Drugs of Sichuan University. The construction and operation of the "Engineering Center for Innovative Drug Preparations of Shaanxi Province" has been inspected and assessed by the provincial Department of Science and Technology, and was assessed to be outstanding by the professionals. Xian Lijun was once again qualified as a new high technology enterprise of Shaanxi Province.

(3) Orderly roll-out of key construction projects

Shijiazhuang No. 4 made planning ahead in response to changes in market demands and assertively implemented them. The outstanding foresight and perspicacity of the technical reform have provided strong momentum for the development of the enterprise both at present and in the future. Key technical reform projects in Hebei Province, namely Shijiazhuang No. 4 Pharma's phase one project for modernized soft-packaging production line with an annual capacity of 500 million bottles (bags) of infusion solution preparations and auxiliary logistics and the Hydroxyethyl Starch bulk pharmaceuticals production project, have all commenced production and generated results. In particular, the project for modernized production line soft-packaging infusion solution and auxiliary logistics was construction in reference to certification standards and technical design of the European Union, which featured high starting-point, high efficiency and high quality, and its target capacity would double the production capacity for infusion solutions of the Group. The project has obtained China's new GMP certification at the beginning of 2012, ahead of China's new certification requirement on the production of sterile preparations and pharmaceuticals by two years, enabling the effective capture of market initiative. Since the commencement of operation, it has substantially enhanced the market competitiveness of the core products of soft-packaging infusion solutions, particularly the double-soft double hard tube soft-packaging infusion solution products, bringing along results to the Group. The phase two project for modernized soft-packaging production line featured the new addition of two specialized production lines for large-size (2,000ml, 1,000ml and 500ml) and 100ml soft-packaging infusion solutions have fully entered the stage of trial production, certification and pre-inspection, and have completed certification and commenced production in the second quarter of 2013.

To maintain the strong momentum of development of the infusion solutions and to fuel the sustainable development of the Group, the key project in Hebei Province, namely the relocation, upgrade and reconstruction project of the headquarters of Shijiazhuang No. 4 Pharma, has commenced construction in August 2012, which mainly included the production line for new model of preparations such as three-in-one PP new ampule preparation, and the new addition of an infusion solution production line with an annual production capacity of 800 million bottles (bags). It is anticipated that the 6 infusion solution production lines of phase one of project will commence trial production or certification in December 2013, bringing along an additional production capacity of 600 million bottles (bags) and more remarkable advantages of scale for the infusion solutions.

In 2012, Xi'an Lijun has focused on implementing the targeted capacity expansion and reconstruction for the two major preparations of freeze-dried powder injections and liquid injections, and has completed the project design. The freeze-dried powder injection project has completed demolition of buildings and structures at the legacy site of the construction project, relocation of water, electricity, air-conditioning pipes and network, commencement of foundation works, and negotiation and signing of major equipment contracts. The liquid injection project has also completed preparation works for reconstruction on legacy site.

3. DEVELOPMENT OUTLOOK FOR 2013

Looking forward into 2013, the operating situation of the pharmaceutical industry in the PRC is bound to remain stable, in which opportunities and challenges for enterprise development will coexist. The Group will leverage on its own advantages of scale and advantages of brand name to further enhance the product mix, and ride on the opportunities brought by market consolidation to continue its efforts in expanding and diversifying the product market, with the objective of achieving fast and greater growth in both the sales and profit.

(1) Prioritization of product marketing and sales

1. Enhancing structural adjustments to achieve new breakthroughs in production and sales of infusion solutions

We will coordinate the domestic and overseas markets, reinforce the research and judgment of market and industrial policies, strive for inventories optimization and expansion of capacity; proactively overcome and assimilate the unfavorable influences of pricing and other policy factors, while on the prerequisites of enhancing the existing grasp and control on the market, to enhance the marketing and sales structure of the Group's core product infusion solution. At the same time, we will devise and implement strategies for differentiated marketing, reasonably adjust the tendering and bidding prices of pharmaceutical products, invigorate the sales of therapeutic infusion solution products such vertical, double soft tube and double hard tube infusion soft bag, rinsing solution soft bag, dialysis solution, sterilised water, Amino Acids solution and therapeutic solutions such as Ozagrel, Levofloxacin, Mannitol, Ambroxol and Bromhexine Hydrochloride through consolidating the establishment of the "three-in-one" marketing network encompassing business, end-user and distributors and leveraging on its own advantages in terms of technologies, quality and costs. Building on the advantage of self-produced raw materials, we will maximize the scale of production and sales of featured categories such as Sodium Chloride Hydroxyethyl Starch 40 Injection Solution, and simultaneously commit to the marketing and operation of strategic categories such as vertical soft infusion bag in order to continuously expand its market share in the North East China, North West China, Central China, East China and South China, comprehensively augment the profitability of the infusion solution products, diversify its product categories, and consolidate its brand name. Paralleled to increasing the weight of sales of high value-added products, we will strive to boost the annual production capacity of infusion solution by 30% or more in 2013 as compared to 2012 with the objectives of catering to the new round of market competition in the infusion solution industry, and achieving new breakthroughs in sales of the Group's core product of infusion solutions.

We will unswervingly adhere to the strategy of "going overseas", incessantly expand the export channel and scale of infusion solutions, proactively partake in international competition, forcefully commence international registration and certification of products and trademarks while stepping up the establishment of foreign trading team, flexibly commence foreign trade business, and ensure a growth rate of over 30% for the sales of foreign trading and processing products.

2. Striving for stable sales of antibiotic products

The antibiotics market will still be in a tough condition The Group has to react proactively. Firstly, we will thoroughly implement the "selling once the intended price is reached" approach in the entire sales process of Lijunsha, while at the same time accentuate the tendering and bidding of Lijunsha, expanding comprehensive commercial distribution, commencing incentive promotion for end-use procurements in depth, and cogently exploring end-user network. At the same time, we will commit to the sales expansion and volume stimulation for Lijunsha granule and capsule preparations to ensure stable sales of Lijunsha in the overall for the year.

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

3. Ensuring swift growth in the sales of advantageous featured categories and general medicines

For Dobesilate, we will enlarge their marketing and sales team to build a nationwide promotion network; strengthen and widen promotion at hospitals and drugstores; fight for direct negotiation and supply related to end-use; and step up promotion to targeted customers. For Lixiding, we will concentrate our promotion and marketing efforts on small scale promotion activities in offices of hospitals and highlight the function and efficacy of Lixiding in the aspects of high blood pressure and cerebral hemorrhage in order to consolidate its position in clinical therapy.

General medicines will adhere to the path of focusing on products with relative advantageous features, aggressively adjusting product mix, promoting the sales of high margin products, emphasizing tender work and sales growth for tender winning products and expansion of end-use network, which will in turn assure sustained sales and profit growth. In respect of foreign trade of bulk pharmaceuticals, consolidation of existing market shares will be paralleled by every possible effort to boost the export of preparations with advantages.

We will focus on the "promotion and market distribution" of OTC products, expedite the business attraction layout across the nation, coordinate the interest distribution among segments of marketing and sales, compress the commercial space of OTC products, implement direct supply to end-users as much as possible, and devote every effort in enhancing the sales scale and growth.

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

Based on planning and implementation of new product and technology development with vision and strategy, Shijiazhuang No. 4 Pharma will strive to accelerate the application for approval procedure for products with market advantages such as 2,000ml and 500ml Compound Electrolyte soft-packaging and Glycine Rinsing Solution, coordinate and promote the application for approval, development and screening of over 180 categories under development and intended for development such as three-in-one PP ampule small liquid injection preparation, enlarge the reserve of new products and the construction effort for the engineering and technical center of injection solution at provincial level and the State enterprise technical center, proactively develop the State's major scientific projects, and to incessantly reinforce our core competitiveness. Shijiazhuang No. 4 Pharma will emphasize the research and application of policies in relation to scientific innovation and project construction in order to aggressively strive for government financial support.

Xi'an Lijun will strive for the completion of production application and research and development site inspection for the raw material and injection solution of Levomedetomidine Hydrochloride project, accelerate the production site inspection of Sodium Azulene Sulfonate raw materials. And it will closely follow up the progress of 2 technology evaluation items of Type 1.5 new drug by the National Pharmaceutical Approval Centre. Xi'an Lijun will also stringently comply with the opinion on research and development of Xi'an Lijun to expedite the research and development progress of 7 projects under development, including Type 1.1 New drug for curing Alzheimer's disease, Moxifloxacin Hydrochloride raw materials and tablet, and Ursodeoxycholic Acid Capsule.

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

Aimed at fully accelerating progress of the relocation, upgrade and reconstruction project of the headquarters, Shijiazhuang No. 4 Pharma will propel the progress with high starting-point, high efficiency and high quality through allocation of backbone forces, progress in accordance with a countdown schedule and exertion in accordance with the planned timetable. Setting off from the benchmark of "innovations and motivations, breakthroughs and transcendences", it will enhance its technical layout, equipment selection and production deployment centering on the core factors of quality, efficiency, energy-saving and environmental protection, in order to make its projects as the exemplar and ideal that will stay innovative for fifteen years, and ensure the phase one project will be ready for trial operation and certification by the end of 2013. Simultaneously, we will step up the progress of upgrade and reconstruction of the original infusion solution production line to achieve passing the new GMP certification of all infusion solution production lines of Shijiazhuang No. 4 Pharma at the earliest possible time, with the aim to effectively respond to changes in market and policies, and to maintain leading position of the infusion solutions in terms of production volume, quality and results and to further consolidate and enhance the leadership in the industry and the support to the Group of the infusion solution.

The two major projects, namely freeze-dried powder injections and liquid injections, of Xi'an Lijun will be accelerated in accordance with the overall progress requirements of passing the GMP on-site inspection by the end of 2013, and obtaining the new GMP certification by the end of March 2014. The expansion and reconstruction project of targeted capacity at 15 billion tablets will be timely commenced during the year in view of the actual situations. Project constructions will focus on the control, supervision, management and assessment of the design and construction processes, with a particular focus on the control of tendering and costs, in order to eradicate management shortfalls. All segments will actualize modernization, economization, and perspicacity. Building on the foundation of fulfilling the new GMP requirements, we will soundly implemented energy-saving and emission-reducing tasks, emphasize selection of new techniques, new technologies, new equipment and new materials and economization of power and energy, and stress the recycle of energy and combined use of equipment.

In conclusion, facing a tough market, the Group will adopt proactive responses to improve its level of sales and management with all means, enhance the quality and efficiency of operation, and in turn generate satisfactory return to its investors. We are highly confident in the future development of the Group.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Revenue	3	**2,430,684**	2,155,215
Cost of sales	10	**(1,397,590)**	(1,241,525)
Gross profit		**1,033,094**	913,690
Selling and marketing costs	10	**(410,798)**	(441,342)
General and administrative expenses	10	**(290,201)**	(243,231)
Impairment loss of goodwill		**—**	(223,552)
Other gains – net	3	**40,121**	7,581
Operating profit		**372,216**	13,146
Finance income	4	**1,242**	2,771
Finance costs	4	**(36,954)**	(18,111)
Finance costs – net		**(35,712)**	(15,340)
Profit/(loss) before income tax		**336,504**	(2,194)
Income tax expense	5	**(55,513)**	(39,183)
Profit/(loss) for the year		**280,991**	(41,377)
Other comprehensive income:			
Currency translation differences		**(499)**	86,639
Total comprehensive income for the year		**280,492**	45,262
Profit/(loss) attributable to:			
Equity holders of the Company		**281,003**	(41,401)
Non-controlling interests		**(12)**	24
		280,991	(41,377)
Total comprehensive income attributable to:			
Equity holders of the Company		**280,504**	45,195
Non-controlling interests		**(12)**	67
		280,492	45,262

	Note	2012 HK$	2011 HK$ (Restated)
Earnings/(losses) per share for profit/(loss) attributable to the equity holders of the Company			
— Basic	6	**0.0959**	(0.0141)
— Diluted	6	**0.0958**	(0.0141)

	Note	2012 HK$'000	2011 HK$'000
Dividends	7	**97,697**	97,792

CONSOLIDATED BALANCE SHEET

As at 31 December 2012

	Note	**As at 31 December 2012 HK$'000**	As at 31 December 2011 HK$'000
ASSETS			
Non-current assets			
Land use rights		**239,241**	220,433
Property, plant and equipment		**1,630,224**	1,444,819
Intangible assets		**310,964**	316,896
Deferred income tax assets		**21,175**	21,526
Available-for-sale financial assets		**159**	159
		2,201,763	2,003,833
Current assets			
Inventories		**398,758**	342,318
Trade and bills receivables	*8*	**826,943**	704,666
Financial assets at fair value through profit or loss		**—**	2,367
Prepayments, deposits and other receivables		**152,191**	128,933
Pledged bank deposits		**—**	4,443
Cash and cash equivalents		**411,783**	257,980
		1,789,675	1,440,707
Total assets		**3,991,438**	3,444,540
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**65,405**	55,703
Reserves			
– Proposed final dividend		**58,599**	48,896
– Others		**2,364,488**	2,191,078
		2,488,492	2,295,677
Non-controlling interests		**604**	616
Total equity		**2,489,096**	2,296,293

CONSOLIDATED BALANCE SHEET

As at 31 December 2012

	Note	As at 31 December 2012 HK$'000	As at 31 December 2011 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings		**306,034**	86,822
Deferred income tax liabilities		**23,783**	25,344
Deferred revenue		**7,795**	10,608
Post-employment benefit obligation		**10,925**	10,548
		348,537	133,322
Current liabilities			
Borrowings		**522,474**	329,793
Trade and bills payables	*9*	**250,575**	259,986
Advanced receipts from customers		**25,996**	17,271
Dividends payable		**—**	6,050
Accruals and other payables		**330,660**	393,338
Income tax payable		**24,100**	8,487
		1,153,805	1,014,925
Total liabilities		**1,502,342**	1,148,247
Total equity and liabilities		**3,991,438**	3,444,540
Net current assets		**635,870**	425,782
Total assets less current liabilities		**2,837,633**	2,429,615

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

(a) New and amended standards adopted by the Group

- The HKICPA has amended HKAS 12, 'Income taxes', to introduce an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The amendments do not result in a material impact on the Group's consolidated financial statements.

(b) New and amended standards have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted

		Effective date
IAS32 (Amendments)	Financial Instruments: Presentation	1 January 2013
HKFRS 7 (Amendments)	Financial Instruments: Disclosures	1 January 2013
HKFRS 9	Financial Instruments: Classification and measurement	1 January 2015
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 12	Disclosures of interests in other entities	1 January 2013
HKFRS 13	Fair value measurement	1 January 2013
HKAS 1 (Amendments)	Presentation of financial statements	1 July 2012
HKAS 19 (Amendments)	Employee benefits	1 January 2013
IAS 27 (revised 2011)	Separate financial statements	1 January 2013
Annual improvements 2011		1 January 2013

None of these new and amended standards is expected to have a significant effect on the consolidated financial statements of the Group.

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

2. Segment information — Group

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

The board considers the business from product perspective. From a product perspective, the decision-maker 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 financial statements.

Unallocated operating loss was mainly attributable to corporate expenses.

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

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

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

The segment information provided to the decision-maker for the reportable segments for the year ended 31 December 2012 is as follows:

	Intravenous infusion solution and others *HK$'000*	Antibiotics and others *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Revenue	**1,418,174**	**1,012,510**	**—**	**2,430,684**
Operating profit/(loss) segment results	**346,711**	**61,160**	**(35,655)**	**372,216**
Finance income	**692**	**296**	**254**	**1,242**
Finance costs	**(24,388)**	**(11,251)**	**(1,315)**	**(36,954)**
Profit/(loss) before income tax	**323,015**	**50,205**	**(36,716)**	**336,504**
Income tax expense	**(49,148)**	**(6,365)**	**—**	**(55,513)**
Profit/(loss) for the year	**273,867**	**43,840**	**(36,716)**	**280,991**

Other segment items included in the consolidated income statement for the year ended 31 December 2012 are as follows:

	Intravenous infusion solution and others *HK$'000*	**Antibiotics and others** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
Amortisation of land use rights	**1,886**	**3,931**	**—**	**5,817**
Depreciation of property, plant and equipment	**104,049**	**29,390**	**327**	**133,766**
Amortisation of intangible assets	**10,398**	**1,561**	**—**	**11,959**
Impairment of inventories	**—**	**36**	**—**	**36**
Provision for impairment of receivables	**477**	**14,728**	**—**	**15,205**

The segment information provided to the decision-maker for the reportable segments for the year ended 31 December 2011 is as follows:

	Intravenous infusion solution and others *HK$'000*	Antibiotics and others *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Revenue	1,036,463	1,118,752	—	2,155,215
Operating profit/(loss) segment results	174,033	81,620	(242,507)	13,146
Finance income	932	571	1,268	2,771
Finance costs	(10,097)	(7,796)	(218)	(18,111)
Profit/(loss) before income tax	164,868	74,395	(241,457)	(2,194)
Income tax expense	(25,428)	(13,154)	(601)	(39,183)
Profit/(loss) for the year	139,440	61,241	(242,058)	(41,377)

Other segment items included in the consolidated income statement for the year ended 31 December 2011 are as follows:

	Intravenous infusion solution and others *HK$'000*	Antibiotics and others *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amortisation of land use rights	1,840	3,848	—	5,688
Depreciation of property, plant and equipment	67,369	28,205	465	96,039
Amortisation of intangible assets	17,774	1,253	—	19,027
Impairment of goodwill	—	—	223,552	223,552
Impairment of inventories	—	280	—	280
Impairment of property, plant and equipment	—	2,394	—	2,394
Provision for impairment of receivables	107	2,448	—	2,555

The segment assets and liabilities at 31 December 2012 are as follows:

	Intravenous infusion solution and others *HK$'000*	**Antibiotics and others** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
Total assets	**2,606,370**	**1,381,777**	**3,291**	**3,991,438**
Total liabilities	**1,073,860**	**428,482**	**—**	**1,502,342**

The segment assets and liabilities at 31 December 2011 are as follows:

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

The total of non-current assets were as follows:

	2012 *HK$'000*	2011 *HK$'000*
Total non-current assets other than deferred tax assets		
— Mainland China	**2,179,591**	1,981,096
— Hong Kong	**997**	1,211
Deferred tax assets	**21,175**	21,526
Total non-current assets	**2,201,763**	2,003,833

The chief operating decision-maker has also determined that no geographical segment information is presented as over 95% of the Group's sales and operating profits are derived within the PRC and over 95% operating assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns.

3. Revenue and other gains – Group

The Group is principally engaged in the manufacturing and sale of pharmaceutical products.

Revenue recognised is as follows:

	2012 HK$'000	2011 HK$'000
Revenue:		
— Sales of pharmaceutical products	**2,410,631**	2,137,748
— Sales of raw materials and by products	**5,847**	4,421
— Processing income	**9,334**	7,359
— Rental income	**4,872**	2,076
— Royalty income	**—**	3,611
	2,430,684	2,155,215

	2012 HK$'000	2011 HK$'000
Other gains — net:		
Loss on disposal of financial assets at fair value through profit or loss	**(824)**	(3,580)
Loss on disposal of a subsidiary	**—**	(449)
Government grant	**38,052**	12,131
Change in fair value of financial assets at fair value through profit or loss	**535**	(521)
Gain on disposals of property, plant and equipment	**2,358**	—
	40,121	7,581

Government grants mainly represent subsidy income received from various government organisations to compensate the research expenditures and development expenditures, interest expenses and other incentives to support the operation of the Group.

4. Finance income and costs – Group

	2012 HK$'000	2011 HK$'000
Finance income — Interest income on bank deposits	**1,242**	2,771
Finance costs		
— Interest expense of bank borrowings wholly repayable within five years	**32,890**	22,072
— Discount of bills receivable	**1,248**	343
— Net exchange loss/(gain)	**2,816**	(4,304)
	36,954	18,111

5. Income tax expense – Group

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

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

All subsidiaries of the Company established and operated 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 the High New Tech Enterprises in 2012. According to the tax incentives of the Corporate Income Tax Law of the People's Republic of China (the "CIT Law") for High New Tech Enterprises, these companies are subject to a reduced corporate income tax rate of 15% for three years.

The amounts of taxation charged to the consolidated income statement:

	2012	*2011*
	HK$'000	*HK$'000*
Current income taxation — Mainland China CIT	**56,725**	40,615
Deferred taxation	**(1,212)**	(1,432)
	55,513	39,183

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the applicable CIT rate as follows:

	2012	2011
	HK$'000	*HK$'000*
Profit/(loss) before income tax	**336,504**	(2,194)
Tax calculated at the domestic tax rate of 15% (2011: 15%) applicable to the subsidiaries	**50,476**	(329)
Impairment loss on goodwill for which no deferred tax assets was recognised	**—**	33,533
Unrecognised tax losses	**6,058**	3,286
Tax exemption and reduction	**(1,481)**	(687)
Remeasurement of deferred tax — change in income tax rate	**—**	1,157
Expenses not deductible	**460**	2,223
Tax expense	**55,513**	39,183
Effective tax rate	**16.5%**	—

6. Earnings/(losses) per share – Group

On the basis of one bonus share for every five existing shares, a total of 488,321,000 bonus shares were issued on 16 October 2012 pursuant to the issuance of bonus share. The bonus shares are treated as outstanding as if the bonus issue had occurred at the beginning of the earliest period reported. As a result, the earnings/(losses) per share figure disclosed for the previous year has been recalculated using the new number of shares in issue.

(a) Basic

Basic earnings/(losses) per share are calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2012	2011
	HK$'000	*HK$'000*
		(Restated)
Profit/(loss) attributable to equity holders of the Company	**281,003**	(41,401)
Weighted average number of ordinary shares in issue (thousands)	**2,931,521**	2,927,838
Basic earnings/(losses) per share (HK$ per share)	**0.0959**	(0.0141)

(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.

	2012	2011
	HK$'000	*HK$'000*
		(Restated)
Profit/(loss) attributable to equity holders of the Company	**281,003**	(41,401)
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**2,931,521**	2,927,838
Adjustment for share options (thousands)	**1,749**	—
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**2,933,270**	2,927,838
Diluted earnings/(losses) per share (HK$ per share)	**0.0958**	(0.0141)

7. Dividends

	2012	2011
	HK$'000	*HK$'000*
Interim dividend of HK$0.02 (2011: HK$0.02) per ordinary share	**48,832**	48,896
Proposed final dividend of HK$0.02 (2011: HK$0.02) per ordinary share	**58,599**	48,896
	107,431	97,792

The proposed final dividend in respect of the year ended 31 December 2012 of HK$0.02 (2011: HK$0.02) per ordinary share, amounting to a total dividend of HK$58,599,000 calculated based on the 2,929,925,000 ordinary shares (2011: 2,444,814,000 ordinary shares) is subject to the approval of the forthcoming Annual General Meeting of the Company. The proposed dividend has not been reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings and share premium for the year ending 31 December 2013.

8. Trade and bills receivables — Group

	2012	2011
	HK$'000	*HK$'000*
Trade receivables	**519,994**	390,520
Bills receivable	**341,991**	334,491
Less: Provision for impairment	**(35,042)**	(20,345)
	826,943	704,666

The fair values of trade and bills receivables approximate their carrying amounts.

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

	2012	2011
	HK$'000	*HK$'000*
Within 3 months	**706,580**	627,850
4 to 6 months	**44,815**	29,746
7 to 12 months	**26,274**	34,451
1 to 2 years	**65,333**	15,380
2 to 3 years	**9,474**	3,900
More than 3 years	**9,509**	13,684
	861,985	725,011

As of 31 December 2012, trade receivables of HK$71,089,000 (2011: HK$64,197,000) were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables is as follows:

	2012	2011
	HK$'000	*HK$'000*
4 to 6 months	**44,815**	29,746
7 to 12 months	**26,274**	34,451
	71,089	64,197

As at 31 December 2012, impaired trade and bills receivables amounting to approximately HK$84,316,000 (31 December 2011: HK$32,964,000) were assessed for impairment and provision of HK$35,042,000 (31 December 2011: HK$20,345,000) for impaired receivables was recorded, covering individually impaired receivables and groups of receivables subject to collective review. Those individually impaired receivables mainly relate to customers in unexpected difficult economic situations and items aged over one year.

The ageing of individually impaired receivables and an estimate of expected recovery are as follows:

	2012	2011
	HK$'000	*HK$'000*
1 to 2 years	**65,333**	15,380
2 to 3 years	**9,474**	3,900
More than 3 years	**9,509**	13,684
	84,316	32,964
Less: Expected recovery	**(49,274)**	(12,619)
Impairment	**35,042**	20,345

The impaired receivables mainly relate to individual customers which are with doubtful repayment ability. The expected recovery was assessed, based on the collateral or other credit enhancement held by the Group, repayment progress, and available information on subsequent repayment.

Movements of provision for impairment of trade receivables are as follows:

	2012	2011
	HK$'000	*HK$'000*
Beginning of the year	**20,345**	17,456
Provision for impairment	**14,702**	1,974
Exchange differences	**(5)**	915
End of the year	**35,042**	20,345

The creation and release of provision for impaired receivables have been included in general and administrative expenses. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The Group's trade receivables were denominated in the following currencies:

	2012	2011
	HK$'000	*HK$'000*
RMB	**842,316**	709,343
USD	**19,669**	15,668
	861,985	725,011

The maximum exposure to credit risk at the reporting date is the fair value of the receivables mentioned above. The Group does not hold any collateral as security.

9. Trade and bills payables – Group

	2012	2011
	HK$'000	*HK$'000*
Trade payables	**250,575**	222,981
Bills payable	**—**	37,005
	250,575	259,986

Credit terms for trade and bills payables range from 90 to 180 days. The ageing analysis of the trade and bills payables is as follows:

	2012	2011
	HK$'000	*HK$'000*
Within 3 months	**190,380**	195,371
4 to 6 months	**31,166**	25,817
7 to 12 months	**19,163**	23,163
1 to 3 years	**8,440**	14,474
More than 3 years	**1,426**	1,161
	250,575	259,986

The Group's trade and bills payables were denominated in RMB.

10. Expense by nature – Group

	2012	2011
	HK$'000	*HK$'000*
Raw materials and consumables used	**974,836**	907,855
Changes in inventories of finished goods and work in progress	**(31,428)**	(3,007)
Staff costs		
— Wages and salaries	**245,118**	220,318
— Pension costs	**36,057**	24,772
— Welfare expenses	**41,827**	35,765
— Share-based compensation	**15,530**	—
Sales commission	**114,298**	150,382
Utility expenses	**158,218**	124,060
Advertising expenses	**64,327**	63,175
Travelling, meeting and entertainment expenses	**53,228**	56,193
Operating leases rental expenses	**9,393**	3,894
Depreciation of property, plant and equipment	**133,766**	96,039
Write-down of inventories to their net realisable value	**36**	280
Provision for impairment of receivables	**15,205**	2,555
Provision for impairment of property, plant and equipment	**—**	2,394
Amortisation of land use rights	**5,817**	5,688
Amortisation of intangible assets	**11,959**	19,027
Auditors' remuneration	**3,600**	3,600
Transportation expenses	**118,825**	102,702
Tax expenses	**30,644**	28,129
Others	**97,333**	82,277
Total cost of sales, selling and marketing costs and general and administrative expenses	**2,098,589**	1,926,098

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 31 December 2012, the cash and cash equivalents aggregated to HK$411,783,000 (2011: HK$257,980,000), comprising HK$409,692,000 (2011: HK$204,418,000) of cash and cash equivalents denominated in Renminbi ("RMB"), HK$1,128,000 (2011: HK$50,688,000) in Hong Kong dollars and HK$963,000 (2011: HK$2,874,000) in other currencies.

The carrying amounts of the borrowings amounting to HK$828,508,000 (2011: HK$416,615,000) as at 31 December 2012, comprising HK$616,637,000 (2011: HK$265,203,000) of borrowings denominated in RMB, HK$88,142,000 (2011: HK$151,412,000) in Hong Kong dollars and HK$123,729,000 (2011: Nil) in other currencies.

Gearing ratio (defined as bank borrowings less cash and cash equivalents divided by total capital) increased from 6.5% as at 31 December 2011 to 14.4% as at 31 December 2012.

Current ratio (defined as current assets divided by current liabilities) increased from 1.42 as at 31 December 2011 to 1.55 as at 31 December 2012.

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.

PLEDGE OF ASSETS

As at 31 December 2012, the net book amount of the Group's land use right of HK$48,724,000 (2011: HK$50,025,000) and the net book amount of the Group's buildings, plant and machineries of HK$249,166,000 (2011: HK$246,470,000) were pledged as collateral for the Group's bank borrowings.

CONTINGENT LIABILITIES

As at 31 December 2012, the Group did not have any significant contingent liabilities.

EXCHANGE RATE

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

1 January 2011	0.85093
31 December 2011	0.81070
31 December 2012	0.81085

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Save for the purchase of 3,210,000 shares in March, April and June 2012 which details are set out in the next paragraph, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities for the year ended 31 December 2012.

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

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

SHARE OPTION SCHEME

Pursuant to a share option scheme approved by a written resolution of all shareholders of the Company on 16 October 2005 ("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 31 December 2012, all of the 48,000,000 share options granted under Old Share Option Scheme remained outstanding.

During the year, 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 31 December 2012, no option has been granted under Existing Share Option Scheme since its adoption.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that a sufficient public float of more than 25% of the issued capital of the Company has been maintained as at the latest practicable date prior to the issue of this annual report, being 28 March 2013, and at all times during the year ended 31 December 2012.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry with all Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 December 2012.

DIVIDENDS

An interim dividend of HK$0.02 per share before the Bonus Issue was declared on 21 August 2012 and paid on 3 October 2012. Bonus shares issued on 16 October 2012 pursuant to the Bonus Shares were not entitled to the interim dividend.

The Directors recommend the payment of a final dividend of HK$0.02 per share which, together with the interim dividend of HK$0.017 per share adjusted for the Bonus Issue, will result in total dividends of HK$0.037 per share for the year ended 31 December 2012 (2011: HK$0.033 per share adjusted for the Bonus Issue). The final dividend is subject to approval by the shareholders at the forthcoming annual general meeting.

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 year, the Company has complied with all applicable provisions of CG Code for their respective applicable periods.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's annual results for the year ended 31 December 2012 in conjunction with the Group's external auditors.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2012 have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 22 May 2013 to Friday, 24 May 2013, both dates inclusive, during which period, no transfer of shares will be registered. In order to qualify to attend and vote at the forthcoming annual general meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office 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., Tuesday, 21 May 2013.

In order to qualify for the proposed final dividend to be approved at the forthcoming annual general meeting, all properly completed transfer forms, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office 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, 29 May 2013.

ANNUAL GENERAL MEETING

The 2013 Annual General Meeting of the Company will be held at 2:00 p.m. on 24 May 2013 at Rooms 2101-02, 21st Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong and a notice of annual general meeting will be published and despatched in due course.

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement will be published on the Company's website (www.lijun.com.hk). The 2012 annual report containing all the information required by the Listing Rules will be published on the website of Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk) and will be despatched to the shareholders in due course.

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

On behalf of the Board
Wu Qin
Chairman

Hong Kong, 28 March 2013

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