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 2013

On behalf of the board of directors (the "Board") 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 2013.

1. RESULTS AND DIVIDEND DISTRIBUTION

The operation of the overall pharmaceutical industry was fairly stable throughout the year. With the mandatory implementation of the new GMP and the improvement of the drug bidding policy, the competitive advantages of sizable pharmaceutical companies have gradually emerged. The Company has seized the policy and market opportunities to open up new markets and lower operating costs by accelerating infrastructural projects and expediting new product development. As a result, its market share and operating results have maintained strong growth momentum. During the year, revenue from principal businesses amounted to HK$2,745,316,000, representing a year-to-year increase of 12.9%, among which, HK$1,723,257,000 was sales revenue from Shijiazhuang No. 4 Pharma, representing a year-to-year increase of 21.5%, and HK$1,022,059,000 was sales revenue from Xi'an Lijun, representing a year-to-year increase of 0.9%. The Group achieved a new breakthrough in its development with a record high net profit of HK$411,814,000, representing a year-to-year increase of 46.6%.

The Board recommended the payment of a final dividend of HK$0.02 per share, amounting to a total of HK$58,599,000, and total dividend for the year was HK$117,198,000, representing an increase of 9.1% as compared to last year.

2. BUSINESS REVIEW

Revenue

For the year ended 31 December 2013, the revenue of the Group amounted to approximately HK$2,745,316,000, representing an increase of 12.9% as compared to HK$2,430,684,000 in last year. A breakdown of the revenue of the Group for the year ended 31 December 2013 is set out as follows:

	2013		2012		
	Sales	**Percentage of sales**	Sales	Percentage of sales	Change
	HK$'000	*%*	*HK$'000*	*%*	*%*
Intravenous infusion solution and others	**1,723,257**	**62.8**	1,418,174	58.3	21.5
(Including: Non-PVC soft bag infusion solution	**831,543**	**30.3**	577,846	23.8	43.9
PP plastic bottle infusion solution)	**451,292**	**16.4**	442,021	18.2	2.1
Antibiotics	**501,049**	**18.3**	523,602	21.5	(4.3)
(Including: Lijunsha	**291,262**	**10.6**	261,422	10.8	11.4
Paiqi)	**85,504**	**3.1**	121,645	5.0	(29.7)
Non-antibiotics finished medicines	**431,462**	**15.7**	384,446	15.8	12.2
(Including: Dobesilate	**107,034**	**3.9**	89,165	3.7	20.0
Lixiding	**39,660**	**1.4**	36,920	1.5	7.4
Sales of bulk pharmaceuticals	**89,460**	**3.2**	103,421	4.3	(13.5)
Others	**88**	**—**	1,041	0.1	(91.5)
Total	**2,745,316**	**100**	2,430,684	100	12.9

(1) Product Operation

1. **Expansion of market share, and reinforcement and enhancement of operating advantages.** With new projects attaining design capacity and achieving volume stimulation, the economies of scale of its intravenous infusion solution business have been further realized. In 2013, the sales of the Company's intravenous infusion solutions amounted to 694 million bottles (bags), representing an increase of 23.2% as compared to last year, among which, the sales of 280 million soft bag products recorded an increase of 48.0% as compared to last year. Apart from reinforcing and enhancing our traditional market strengths, we have also timely adjusted and expanded the end coverage of advantageous infusion solution products. As a result, the sales of double-outlet soft bag infusion solutions and therapeutic infusion solutions achieved rapid growth, effectively ensuring continued growth in our operating results.

2. **Sustained growth of export and processing businesses.** In 2013, four new export destinations, namely Indonesia, Cameroon, Kazakhstan and Liberia, have been added. Currently, nearly 50 specifications of the Company have completed product registration in 20 countries. Export sales recorded a year-to-year increase of 37.8%, and we ranked among the top ten brands for preparation export in the PRC for the third time.

3. **Stable operation of antibiotics and other finished products businesses.** After gradually adapting to the new market environment following the promulgation of the "price and quantity restrictions" policy, our sales channels have been further streamlined, and product prices have steadily increased. Of which, our key product Lijunsha recorded a year-to-year increase of 11.4% in sales, paralleled by a stable gross profit margin.

(2) New Product Research and Development

Both innovation capacity and strength have been enhanced during the period. The Company has accelerated its innovational development through incentives such as project and intelligence acquisition, and project responsibility system. In 2013, the Company acquired a batch of new products and technologies with good market development prospects, including Type 1 new drug, Compound Dexibuprofen Sustained-release Double Layer Tablet, raw materials and tablets of Chemical Type 3 new drug Blonanserin, and raw materials and tablets of Lacosamide that have received the clinical approval from SFDA and entered the phase of clinical trial of new drugs. Production permits for 500ml Compound Electrolyte Injection soft-packaging and domestic exclusive 250ml/7.5mg Ambroxol Glucose Injection soft-packaging products were also obtained. It has also received 9 notices of invention, practical new model and outlook design patents for

Lacosamide Sustained-release Tablet and its method of preparation, high-osmolality preparation and its method of preparation, and plastic infusion bags interface connector, etc. The innovation results were fruitful.

(3) Key Projects

Our key projects have commenced production and achieved efficiency, promoting the stable and rapid development of the Company. All Phase I relocation and upgrade of Shijiazhuang No. 4 Pharma's headquarters have been completed or ready for use as scheduled. Of which, 6 new high standard infusion solution production lines have obtained the new GMP certifications, and currently have commenced production and operation. Accordingly, the production capacity of the Company's intravenous infusion solution has increased to 1.5 billion bottles (bags), achieving historical breakthrough in overall scale and structural optimization. Infusion solution soft bags accounted for over 60% of the Company's overall infusion solution production capacity.

To ensure the fulfilment with the requirements of the State's new GMP standards for solid preparations by the end of 2015, and in line with the overall regulation of Xi'an Municipal for industrial enterprises to "retreat from the city to the parks", Xi'an Lijun has started its overall relocation and reconstruction. Its objective-attaining capacity expansion and reconstruction project for solid preparations has commenced construction in the new area, and is expected to complete all relocation and commence official operation upon obtaining the new GMP certification of production lines by the end of 2015.

On the overall, the operating results of the Company in 2013 marked the best in history, under the immense effort contributed by the two subsidiaries and our staff. Particularly, the outstanding results of Shijiazhuang No. 4 Pharma provided major support for the profits of the listed company and significant contribution to the results of the Group. In face of considerable obstacles, Xi'an Lijun managed to achieve hard-won but respectable results after unremitting exertion.

3. FUTURE PROSPECTS

Looking forward into 2014, the operating environment of the pharmaceutical industry in China will not change much, and market players will be faced with development opportunities and challenges. Increasing concentration of pharmaceutical production and centralized commencement of drug bidding and procurement in various regions will provide the Company with new opportunities and room for development. Competition among large corporations arising from industrial concentration will also inevitably result in new interest pattern. Coupled with China's promotion of reasonable drug application and health education concepts and intensification of related measures, the Company is presented with new challenges to development.

(1). **Capitalizing on opportunities arising from new round of drug bidding to achieve new breakthroughs in production and sales structural adjustments.**

We will combine the opportunities arising from the new round of national drug bidding activities in 2014 with our own advantages to strengthen our study and judgment of bidding, industrial policy and industrial competition, implement differentiating marketing measures, coordinate domestic market, expand international market, and adapt to requirements of new market landscape and changes. We will endeavor to excel in the marketing of its strategic products such as vertical soft bag and double-outlet soft bag infusion solutions, and increase the market development of products such as soft bag rinsing solutions, dialysis solutions and therapeutic infusion solutions, with the aims of achieving the infusion solution sales target of 1.1 billion bottles (bags), maintaining our dominant position in the soft bag market, and further increasing the profitability of infusion solution products. Market development for new drugs that have obtained production document number such as Edaravone, Nalmefene Hydrochloride and Glipizide will be expedited to increase sales as soon as possible and create new growth points for the Group's results.

We will continue to unswervingly implement the strategy of "going overseas", intensify international certification application and professional establishment of foreign trade team, and expand international registration and certification of products, in order to ensure a growth rate of over 30% for the sales of foreign trades and processing products.

(2). **Step up implementation of strategic projects such as Shijiazhuang No. 4 Pharma's headquarters relocation to commence production and achieve efficiency, and expedition of transformation and upgrade.**

Completion and production commencement of the relocation and upgrade project of Shijiazhuang No. 4 Pharma's headquarters in the High-tech Development Zone are of strategic importance to our transformation, upgrade, breakthrough and catch-up. Production lines completed in Phase I have been put into use. We will base upon our long-term development by excelling in the double-hard tube infusion solution production lines in Phase II, modernization of Chinese medicine, and ampule small liquid injection preparation and related auxiliary facility projects, striving to achieve certification and commence production in the this year and further promote the optimization and transformation of the Company's industrial and product structures. Our leading position in the industry will be consolidated by new project construction, old production line upgrade, and enhancing infusion solution production capacity, quality and efficiency advantage.

Through sound organization and coordination for the relocation and construction of the production base of Xi'an Lijun, assets and land of the existing production base will be properly disposed to ensure appreciation, while adhering to the schedule of the Phase I project.

(3). **Acceleration of innovation team and platform construction, and pushing forward product and technological innovation.**

High priority is attached to research, development and innovation. Innovation work is guided by our long-term and strategic vision. A strong atmosphere that concerns, values and supports research and development across the Company is created through talent acquisition and mechanism change. In 2014, our new product research and development will consider the principle of combining exclusive products and general products with little investment but quick result, and combining innovative drugs and generic drugs. We will also expedite application for approval, innovation and transformation of new products, and strengthen our core competitiveness to take advantage of the opportunities arising from acceleration of national generic drug registration and evaluation, and obtain production permits for 500ml Compound Sodium Chloride Injection and vertical Sodium Lactate Ringer's Injection soft bag as soon as possible. We will strive to obtain production permits for products with good market development prospects such as 100ml Pediatric Electrolyte Supplements Injection, 1000ml Compound Sodium Chloride Injection, 3000ml Mannitol Injection and 2000ml Glycine soft bag rinsing solution in this year. The Type 1.5 gastric mucosal protection new drug, Compound Alanine Glutamine Double-layer Chewing Tablet has been filed with the State Center for Drug Evaluation, and we will closely follow up with the progress. The Type 1.1 anti-dementia and vascular dementia new drug MeN061016-1 is currently in the phase of pre-clinical research, and we will strive to obtain the clinical approval as soon as possible. At the same time, we will coordinate and promote the screening, development and application for approval of over 250 categories under development and intended for development such as three-in-one PP ampule small liquid injection preparation, Roflumilast Tablet and Acofide Tablet, incessantly reinforce our core competitiveness, and ultimately build an innovative enterprise.

In general, the Company is optimistic about the operating position in 2014. The operating results will continue to grow and we will strive to bring satisfying returns to the investors. On behalf of the Board, I hereby express our gratitude to the investors and our staff for their support to the development of the Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Revenue	3	**2,745,316**	2,430,684
Cost of sales	10	**(1,512,986)**	(1,397,590)
Gross profit		**1,232,330**	1,033,094
Selling and marketing costs	10	**(497,708)**	(410,798)
General and administrative expenses	10	**(291,530)**	(290,201)
Other gains — net	3	**95,738**	40,121
Operating profit		**538,830**	372,216
Finance income	4	**1,557**	1,242
Finance costs	4	**(46,910)**	(36,954)
Finance costs — net		**(45,353)**	(35,712)
Profit before income tax		**493,477**	336,504
Income tax expense	5	**(81,659)**	(55,513)
Profit for the year		**411,818**	280,991
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Currency translation differences		**83,180**	(499)
Total comprehensive income for the year		**494,998**	280,492
Profit attributable to:			
Equity holders of the Company		**411,814**	281,003
Non-controlling interests		**4**	(12)
		411,818	280,991
Total comprehensive income attributable to:			
Equity holders of the Company		**494,975**	280,504
Non-controlling interests		**23**	(12)
		494,998	280,492

	Note	2013 HK$	2012 HK$
Earnings per share for profit attributable to the equity holders of the Company			
— Basic	6	**0.1406**	0.0959
— Diluted	6	**0.1400**	0.0958

	Note	2013 HK$'000	2012 HK$'000
Dividends (paid and proposed)	7	**117,198**	107,431

CONSOLIDATED BALANCE SHEET

As at 31 December 2013

	Note	As at 31 December 2013 HK$'000	As at 31 December 2012 HK$'000
ASSETS			
Non-current assets			
Land use rights		**386,295**	239,241
Property, plant and equipment		**2,438,408**	1,630,224
Intangible assets		**322,995**	310,964
Deferred income tax assets		**25,050**	21,175
Available-for-sale financial assets		**164**	159
		3,172,912	2,201,763
Current assets			
Inventories		**404,911**	398,758
Trade and bills receivables	8	**934,193**	826,943
Prepayments, deposits and other receivables		**144,913**	152,191
Pledged bank deposits		**90,051**	—
Cash and cash equivalents		**336,928**	411,783
		1,910,996	1,789,675
Total assets		**5,083,908**	3,991,438
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**65,405**	65,405
Reserves			
— Proposed final dividend		**58,599**	58,599
— Others		**2,742,265**	2,364,488
		2,866,269	2,488,492
Non-controlling interests		**627**	604
Total equity		**2,866,896**	2,489,096

CONSOLIDATED BALANCE SHEET

As at 31 December 2013

	Note	As at 31 December 2013 HK$'000	As at 31 December 2012 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings		**455,019**	306,034
Deferred income tax liabilities		**26,905**	23,783
Deferred revenue		**10,863**	7,795
Post-employment benefit obligation		**9,289**	10,925
		502,076	348,537
Current liabilities			
Borrowings		**732,774**	522,474
Trade and bills payables	*9*	**490,461**	250,575
Advanced receipts from customers		**36,503**	25,996
Accruals and other payables		**415,371**	330,660
Income tax payable		**39,827**	24,100
		1,714,936	1,153,805
Total liabilities		**2,217,012**	1,502,342
Total equity and liabilities		**5,083,908**	3,991,438
Net current assets		**196,060**	635,870
Total assets less current liabilities		**3,368,972**	2,837,633

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 following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2013 and relevant to the Group:

- Amendment to HKAS 1 'Financial statement presentation' is effective for annual periods beginning on or after 1 July 2012. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment has no significant impact on the Group's consolidated financial statements.

- Amendment to HKFRSs 10, 11 and 12 on transition guidance are effective for annual periods beginning on or after 1 January 2013. These amendments provide additional transition relief to HKFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied. These amendments have no significant impact on the Group's consolidated financial statements.

- HKFRS 10 'Consolidated financial statements' is effective for annual periods beginning on or after 1 January 2013. The objective of HKFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities to present consolidated financial statements. It defines the principle of control, and establishes controls as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements. The Group assessed that adoption of HKFRS 10 did not result in any change in the consolidation status of its subsidiaries, and did not have any significant impact on the Group's consolidated financial statements.

- HKAS 27 (revised 2011) 'Separate financial statements' is effective for annual periods beginning on or after 1 January 2013. It includes the provisions on separate financial statements that are left after the control provisions of HKAS 27 have been included in the new HKFRS 10. It has no significant impact on the Group's consolidated financial statements.

- Amendment to HKAS 19 'Employee benefits' is effective for annual periods beginning on or after 1 January 2013. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. It has no significant impact on the Group's consolidated financial statements.

  There are no other amended standards or interpretations that are effective for the first time for this year that have a material impact on this Group.

(b) New and amended standards have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted

The Group's assessment of the impact of these new and amended standards is set out below.

		Effective date
Amendments to HKAS 32	Financial instruments Presentation' on asset and liability offsetting	1 January 2014
Amendments to HKFRS 10, 12 and HKAS 27	Consolidation for investment entities	1 January 2014
Amendment to HKAS 36	Impairment of assets on recoverable amount disclosures	1 January 2014
Amendment to HKAS 39	Financial Instruments: Recognition and Measurement	1 January 2014
HK(IFRIC) 21	Levies	1 January 2014
Amendment to HKAS19	Defined benefit plans	1 July 2014
HKFRS 9	Financial Instruments	left open pending finalisation
Annual Improvement 2012		1 July 2014
Annual Improvement 2013		1 July 2014

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 executive directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The executive directors consider 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 executive directors assess 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 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 executive directors for the reportable segments for the year ended 31 December 2013 is as follows:

	Intravenous infusion solution and others *HK$'000*	**Antibiotics and others** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
Revenue	**1,723,257**	**1,022,059**	**—**	**2,745,316**
Operating profit segment results	**494,937**	**64,853**	**(20,960)**	**538,830**
Finance income	**1,003**	**553**	**1**	**1,557**
Finance costs	**(32,690)**	**(14,220)**	**—**	**(46,910)**
Profit before income tax	**463,250**	**51,186**	**(20,959)**	**493,477**
Income tax expense	**(72,986)**	**(8,673)**	**—**	**(81,659)**
Profit for the year	**390,264**	**42,513**	**(20,959)**	**411,818**

Other segment items included in the consolidated income statement for the year ended 31 December 2013 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	**3,343**	**3,995**	**—**	**7,338**
Depreciation of property, plant and equipment	**109,543**	**23,952**	**364**	**133,859**
Amortisation of intangible assets	**2,485**	**1,622**	**—**	**4,107**
Provision for write-down of inventories	**—**	**2,310**	**—**	**2,310**
Provision/(write-back of provision) for impairment of receivables	**687**	**(2,561)**	**—**	**(1,874)**

The segment information provided to the executive directors 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 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 before income tax	323,015	50,205	(36,716)	336,504
Income tax expense	(49,148)	(6,365)	—	(55,513)
Profit 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
Provision for write-down of inventories	—	36	—	36
Provision for impairment of receivables	477	14,728	—	15,205

The segment assets and liabilities at 31 December 2013 are as follows:

	Intravenous infusion solution and others ***HK$'000***	**Antibiotics and others** ***HK$'000***	**Unallocated** ***HK$'000***	**Total** ***HK$'000***
Total assets	**3,654,107**	**1,427,048**	**2,753**	**5,083,908**
Total liabilities	**1,740,963**	**474,576**	**1,473**	**2,217,012**
Additions to non-current assets	**848,287**	**205,263**	**—**	**1,053,550**

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
Additions to non-current assets	348,788	12,423	113	361,324

The total of non-current assets were as follows:

	2013	2012
	HK$'000	*HK$'000*
Total non-current assets other than deferred tax assets		
— Mainland China	**3,147,228**	2,179,591
— Hong Kong	**634**	997
Deferred tax assets	**25,050**	21,175
Total non-current assets	**3,172,912**	2,201,763

The executive directors have 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 — Group

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

Revenue recognised is as follows:

	2013	2012
	HK$'000	*HK$'000*
Revenue:		
— Sales of pharmaceutical products	**2,734,953**	2,410,631
— Sales of raw materials and by products	**2,523**	5,847
— Processing income	**5,353**	9,334
— Rental income	**2,487**	4,872
	2,745,316	2,430,684

4. Finance income and costs — Group

	2013	2012
	HK$'000	*HK$'000*
Finance income — Interest income on bank deposits	**1,557**	1,242
Finance costs		
— Interest expense of bank borrowings wholly repayable within five years	**50,680**	32,890
— Discount of bills receivable	**2,941**	1,248
— Net exchange (gain)/loss	**(6,711)**	2,816
	46,910	36,954

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 operate in PRC are subject to the 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 Technology Enterprises in 2012. According to the tax incentives rules of the CIT Law of the People's Republic of China (the "CIT Law") for High and New Technology Enterprises, these companies are subject to a reduced corporate income tax rate of 15% for three years.

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

The amounts of taxation charged to the consolidated income statement:

	2013	2012
	HK$'000	*HK$'000*
Current income taxation — Mainland China CIT	**82,769**	56,725
Deferred taxation	**(1,110)**	(1,212)
	81,659	55,513

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

	2013	2012
	HK$'000	*HK$'000*
Profit before income tax	**493,477**	336,504
Tax calculated at the tax rates applicable to the group companies	**74,462**	50,476
Tax losses for which no deferred tax assets were recognised	**5,445**	6,058
Tax exemption and reduction	**(2,735)**	(1,481)
Expenses not deductible	**1,557**	460
Withholding tax charge related to dividends	**2,930**	—
Tax expense	**81,659**	55,513
Effective tax rate	**16.5%**	16.5%

6. Earnings per share — Group

(a) Basic

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

	2013	2012
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**411,814**	281,003
Weighted average number of ordinary shares in issue (thousands)	**2,929,925**	2,931,521
Basic earnings per share (HK$ per share)	**0.1406**	0.0959

(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.

	2013	2012
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**411,814**	281,003
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**2,929,925**	2,931,521
Adjustment for share options (thousands)	**11,739**	1,749
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**2,941,664**	2,933,270
Diluted earnings per share (HK$ per share)	**0.1400**	0.0958

7. Dividends

	2013	2012
	HK$'000	*HK$'000*
Interim dividend of HK$0.02 (2012: HK$0.02) per ordinary share	**58,599**	48,832
Proposed final dividend of HK$0.02 (2012: HK$0.02) per ordinary share	**58,599**	58,599
	117,198	107,431

The proposed final dividend in respect of the year ended 31 December 2013 of HK$0.02 (2012: HK$0.02) per ordinary share, amounting to a total dividend of HK$58,599,000 calculated based on the 2,929,925,000 outstanding ordinary shares (2012: 2,929,925,000 ordinary shares), is subject to the approval in the forthcoming Annual General Meeting of the Company. The proposed dividend has not been reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2014.

8. Trade and bills receivables — Group

	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**646,685**	519,994
Bills receivable	**320,107**	341,991
Less: Provision for impairment	**(32,599)**	(35,042)
	934,193	826,943

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:

	2013	2012
	HK$'000	*HK$'000*
Within 3 months	**776,761**	706,580
4 to 6 months	**77,251**	44,815
7 to 12 months	**51,176**	26,274
1 to 2 years	**29,557**	65,333
2 to 3 years	**22,477**	9,474
More than 3 years	**9,570**	9,509
	966,792	861,985

As at 31 December 2013, trade receivables of HK$128,427,000 (2012: HK$71,089,000) 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:

	2013	2012
	HK$'000	*HK$'000*
4 to 6 months	**77,251**	44,815
7 to 12 months	**51,176**	26,274
	128,427	71,089

As at 31 December 2013, impaired trade receivables amounting to approximately HK$61,604,000 (31 December 2012: HK$84,316,000) were assessed for impairment and a provision of HK$32,599,000 (31 December 2012: HK$35,042,000) 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:

	2013	2012
	HK$'000	*HK$'000*
1 to 2 years	**29,557**	65,333
2 to 3 years	**22,477**	9,474
More than 3 years	**9,570**	9,509
	61,604	84,316
Less: Expected recovery	**(29,005)**	(49,274)
Impairment provision made	**32,599**	35,042

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:

	2013	2012
	HK$'000	*HK$'000*
Beginning of the year	**35,042**	20,345
(Reverse of provision)/provision for impairment of trade receivables	**(3,486)**	14,702
Currency translation differences	**1,043**	(5)
End of the year	**32,599**	35,042

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

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

	2013	2012
	HK$'000	*HK$'000*
RMB	**949,326**	842,316
USD	**17,466**	19,669
	966,792	861,985

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

	2013	2012
	HK$'000	*HK$'000*
Trade payables	**354,114**	250,575
Bills payable	**136,347**	—
	490,461	250,575

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:

	2013	2012
	HK$'000	*HK$'000*
Within 3 months	**384,934**	190,380
4 to 6 months	**72,974**	31,166
7 to 12 months	**25,464**	19,163
1 to 3 years	**4,996**	8,440
More than 3 years	**2,093**	1,426
	490,461	250,575

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

10. Expense by nature — Group

	2013	2012
	HK$'000	*HK$'000*
Raw materials and consumables used	**1,127,256**	974,836
Changes in inventories of finished goods and work in progress	**(60,226)**	(31,428)
Staff costs		
— Wages and salaries	**258,057**	245,118
— Pension costs	**48,543**	36,057
— Welfare expenses	**49,279**	41,827
— Share-based compensation	**—**	15,530
Sales commission	**143,069**	114,298
Utility expenses	**140,465**	158,218
Advertising expenses	**71,383**	64,327
Travelling, meeting and entertainment expenses	**60,411**	53,228
Operating leases rental expenses	**13,303**	9,393
Depreciation of property, plant and equipment	**133,859**	133,766
Write-down of inventories to net realisable value	**2,310**	36
(Write-back of provision)/Provision for impairment of trade receivables	**(3,486)**	14,702
Provision for impairment of other receivables	**1,612**	503
Amortisation of land use rights	**7,338**	5,817
Amortisation of intangible assets	**4,107**	11,959
Auditors' remuneration		
— Audit services	**3,381**	3,600
— Non-audit services	**44**	22
Transportation expenses	**160,302**	118,825
Business taxes, surcharges and other tax expenses	**44,634**	30,644
Others	**96,583**	97,311
Total cost of sales, selling and marketing costs and general and administrative expenses	**2,302,224**	2,098,589

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 2013, the cash and cash equivalents aggregated to HK$336,928,000 (2012: HK$411,783,000), comprising HK$247,913,000 (2012: HK$409,692,000) of cash and cash equivalents denominated in Renminbi ("RMB"), HK$86,060,000 (2012: HK$1,128,000) in Hong Kong dollars and HK$2,955,000 (2012: HK$963,000) in other currencies.

The carrying amounts of the borrowings amounting to HK$1,187,793,000 (2012: HK$828,508,000) as at 31 December 2013, comprising HK$896,494,000 (2012: HK$616,637,000) of borrowings denominated in RMB, HK$162,920,000 (2012: HK$88,142,000) in Hong Kong dollars and HK$128,379,000 (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 22.9% as at 31 December 2013.

Current ratio (defined as current assets divided by current liabilities) decreased from 1.55 as at 31 December 2012 to 1.11 as at 31 December 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.

PLEDGE OF ASSETS

As at 31 December 2013, the net book amount of the Group's land use right of HK$72,647,000 (2012: HK$48,724,000) and the net book amount of the Group's buildings, plant and machineries of HK$418,769,000 (2012: HK$249,166,000) were pledged as collateral for the Group's bank borrowings.

CONTINGENT LIABILITIES

As at 31 December 2013, the Group did not have any significant contingent liabilities.

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
31 December 2012	0.81085
31 December 2013	0.78623

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the year. 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 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 31 December 2013, all of the 48,000,000 share options granted under Old Share Option Scheme remained outstanding.

During the year 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 31 December 2013, no option has been granted under Existing Share Option Scheme since its adoption.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that a sufficient public float of more than 25% of the issued capital of the Company has been maintained as at the latest practicable date prior to the issue of this annual report, being 28 March 2014, and at all times during the year ended 31 December 2013.

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 2013.

DIVIDENDS

An interim dividend of HK$0.02 per share was declared on 28 August 2013 and paid on 31 October 2013.

The Directors recommend the payment of a final dividend of HK$0.02 per share which, together with the interim dividend of HK$0.02 per share, will result in total dividends of HK$0.04 per share for the year ended 31 December 2013 (2012: HK$0.037 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 2013. 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 2013 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 2013 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, 21 May 2014 to Friday, 23 May 2014, 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, 20 May 2014.

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, 28 May 2014.

ANNUAL GENERAL MEETING

The 2013 Annual General Meeting of the Company will be held at 2:00 p.m. on 23 May 2014 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 2013 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 2014

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.