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 2010

On behalf of the board (the "Board") of directors (the "Directors") of Lijun International Pharmaceutical (Holding) Co., Ltd. (the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2010.

1. RESULTS AND DIVIDEND PAYMENT

The macro-economic situation was fairly severe since 2010. With the inflation pressure kept on increasing, the prices of energy power and raw and auxiliary materials continued to rise, and the pharmaceutical market under the new policies of medical reform was facing more intense competition. The Group achieved a significant progress in its operation through such measures in expanding the scale of production and sales of its leading branded products, increasing its market share and focusing on cost control. During the year, the Group's revenue of its principal business amounted to HK$1,971,657,000, representing an increase of 13.3% as compared with last year; among which, HK$1,182,753,000 was from Xi'an Lijun, representing an increase of 9.5% as compared with last year, and HK$788,904,000 was from Shijiazhuang No. 4 Pharma, representing an increase of 19.6% as compared with last year. Operating profit of the Group increased by 15.7% as compared to last year, amounted to HK$324,993,000. Profit attributable to equity holders of the Company increased by 20.6% to HK$260,592,000 as compared to last year.

The Board recommended the payment of a final dividend of HK$0.02 per share, and together with the interim dividend of HK$0.02 per share, total dividends for the year were HK$96,075,000 or HK$0.04 per share, representing an increase of 9.6% as compared with the total dividends for last year of HK$87,638,000.

2. REVIEW OF OPERATING RESULTS

Revenue

For the year ended 31 December 2010, the revenue of the Group amounted to approximately HK$1,971,657,000, representing an increase of 13.3% as compared with HK$1,739,628,000 in last year. A breakdown of the revenue of the Group for the year ended 31 December 2010 is set out as follows:

	2010		2009		**Change**
	HK$'000	*%*	*HK$'000*	*%*	*%*
Intravenous Infusion Solution	**788,904**	**40.0**	659,715	37.9	19.6
(Including: PP Plastic Bottle Infusion Solution	**294,500**	**14.9**	268,063	15.4	9.9
Non-PVC Soft Bag Infusion Solution)	**246,021**	**12.5**	154,425	8.9	59.3
Antibiotics	**744,826**	**37.8**	717,195	41.2	3.9
(Including: Lijunsha	**471,362**	**23.9**	438,155	25.2	7.6
Paiqi)	**133,014**	**6.7**	112,201	6.4	18.5
Non-antibiotics finished medicines	**335,552**	**17.0**	261,704	15.0	28.2
(Including: Dobesilate	**81,971**	**4.2**	64,017	3.7	28.0
Lixiding)	**35,510**	**1.8**	24,762	1.4	43.4
Sales of bulk pharmaceuticals	**100,654**	**5.1**	97,833	5.6	2.9
Others	**1,721**	**0.1**	3,181	0.3	(45.9)
Total	**1,971,657**	**100**	1,739,628	100	13.3

(1) Product marketing

1. Scale expansion and optimizing the structure of intravenous infusion solutions

With production capacity expansion, the Group's intravenous infusion solutions business had further enhanced its advantages in scale, quality and cost. Sales revenue of non-PVC soft bag infusion solution and PP plastic bottle infusion solution were increased by 59.3% and 9.9% respectively as compared with last year. Sales revenue of these two infusion solutions to total sales revenue of infusion solution of the Group was 75.6%, up by 5.3% as compared with last year. Sales of therapeutical infusion solution categories also further achieved its growth, representing an increase of 1.7% as compared with last year.

Foreign trade export and processing has continued to record a growth. Currently, we have 17 categories of products registered in 45 countries and regions. Export sales have reached US$6,560,000, representing an increase of 11.6% as compared with last year.

2. Steady development in sales of antibiotics preparation

Through the monthly direction and assessment to the "three mandatory plans" for strengthening the marketing, distribution and end-user promotion activities, and a series of initiation of secondary distribution and end-user promotion activities, our leading branded product, Lijunsha, recorded sales revenue of HK$471,362,000, representing an increase of 7.6% as compared with last year, among which, revenue of tablets amounted to HK$362,393,000, which was of same level as last year; sales of Lijunsha granules amounted to HK$88,137,000, representing an increase of 59.5% as compared with last year.

As we have leveraged on the brand influence and focused much attention in expanding and maintaining the hospitals, clinics and end-user markets, sales of Paiqi series of products amounted to HK$133,014,000 in 2010, representing an increase of 18.5% as compared with last year. Paiqi trademark was recognized as a "Chinese well-known trademark" by State Administration for Industry and Commerce of the People's Republic of China, and became the third Chinese well-known trademark of the Group after Lijunsha and Shimen. Sales of our antibiotics preparation, such as Limaixian, cephalosporin series and Ethylsuccinate tablets remained stable.

3. Good growth in sales of brand preparation and general medicines

Through the continuous academic promotion in hospitals and marketing development, sales revenue of Dobesilate amounted to HK$81,971,000 in 2010, representing an increase of 28.0% as compared with last year. Sales revenue of Lixiding amounted to HK$35,510,000 in 2010, representing an increase of 43.4% as compared with last year. General medicines sustained a continuous growth, achieved annual sales amounted to HK$381,550,000 in 2010, representing an increase of 7.2% as compared with last year.

4. Sales of OTC products leaping to a new platform

Sales revenue of new OTC products was HK$14,620,000, a year-on-year growth of 34.5%. Sales of Kehao tablets for eliminating heats from lungs, relieving cough and dispelling phlegm increased by 66% as compared with last year through vigorous efforts of increasing sales in important regions and peak season promotion; sales of Weikoujia effervescent tablets increased by 45% as compared with last year through the seasonal and on-going promotions; sales of Lijungai increased 30% as compared with last year through further promotion and marketing. Haogan, a new strategic influenza drug, was launched into the market in the second half of 2010, with encouraging sales trend.

(2) New product development

1. The "Shaanxi Provincial Innovative Preparation Engineering Center" jointly established by Xi'an Lijun and The Fourth Military Medical University had completed its successful moving-in and laboratory platform construction last year. Five projects including the Type 1.1 Drug Candidates New Drug on Anti Dementia and the New Technology on Erythromycin Ethylsuccinate Crystallization were granted a supporting fund of RMB5,850,000. The Type 1.5 new drug for Anti-influenza, "Compound Dextral Ibuprofen Sustained-release Double-layered Tablets", had obtained an authorized national invention patent. The project of Cefepime Lyophilized Powder and Injection was awarded the Second Prize of Xi'an Scientific and Technological Advancement. The Three Projects like the Compound Stomach Medications Double-layered Tablets (the scientific and technological plan project of Xi'an), Lingzhihong raw materials and preparation (the major scientific and technological breakthrough project of Shaanxi Province) and "13115 Innovative Preparation Engineering Center" had completed the concluding inspection and acceptance process. Radix Notoginseng Capsules of Radix Panacis quinquefolii had obtained the health food approval certificate. Three National Class I new medicines, which are under key research and development, were progressing steadily.

2. The Class II new drug Arbidol Hydrochloride Capsules developed by Shijiazhuang No. 4 Pharma was listed as a recommended anti-Influenza A (H1N1) medicine by Ministry of Health. The "Eleventh Five-Year" technology support key project subject of Safety Research Study on Medicines and Packaging Materials Compatibility of the State undertaken by the Group was successfully completed and reported. This subject would play a positive role in promoting the supervision and inspection technology of domestic infusion solution products, improving the safety evaluation standards for relevant medicines, and expanding our influence in the industry. The Group obtained production permit for its new products like the Compound Mannitol Injection, Xantinol Nicotinate and Sodium Chloride Injection, and Buflomedil Hydrochloride Sodium Chloride Injection, clinical permit for Valaciclovir Hydrochloride Tablets, specifications add-in permit for Ambroxol Hydrochloride Glucose Injection (7.5mg and 15mg) and 104 permits for the registration of other medicines and packaging materials. The Group applied for 2 invention patents for infusion solution related technology.

(3) Construction of new projects

The key projects in Hebei Province such as the modernized soft-packaging infusion solution project and its ancillary logistics warehouse were progressing smoothly. This project was designed in full compliance to European Union certification standards, and its major equipments will be imported from abroad. The project is focusing on producing single-chamber bag, multiple-chamber bag, single-outlet pipe and double-outlet pipe soft bag infusion solution products and expanding the supply capacity of soft bag market, for coping with the changes in demand arising from the adjustment to the infusion solution market, promoting the enterprise's scale competition level and further consolidating its leading position in domestic infusion solution production. The pharmaceutical ingredient projects of Hydroxyethyl Starch and Azithromycin, constructed to complement the big infusion solutions preparation had entered into the workshop exterior installation stage. The above construction projects were planned to be formally put into production during the year.

The project of the joint venture "Jilin LJDB Pharmaceutical Ltd.", set up between the Group and Tonghua Dongbao Pharmaceutical was still under approval process due to some difficulties in transferring the pharmaceutical production license approval from joint venture partner to the joint venture. The joint venture partner was working hard to complete the transfer process. At present, no fund was being invested by us.

3. DEVELOPMENT OUTLOOK

Looking forward to 2011, With the gradual in-depth of the national medical reform, it is probable that some new policies and measures would be launched, and they would further impact adversely on the whole pharmaceutical industry. The Group will face a more severe situation in business operation, especially the increase of reducing objective favourable factors: (1) price reduction policy of the Group's main leading products; (2) increase in raw material prices (especially for petroleum related raw materials) and increase in power and labor costs; and (3) imposition of urban construction tax and supplemental education tax. The above three factors caused a significant trimming down in operating profit of the Group, and brought a major challenge to its operation.

In response to the critical situation, the Group will adopt the following measures:

(1) Further enhance the market prominent position of infusion solution products

We will further advance the adjustment to the product and sales structure of infusion solution business and accelerate the transformation of growing methods. On the basis of improving the ability to quickly respond to market, we will implement the tailor-made differentiated marketing strategies, strengthen the product sales of PP plastic bottle and Non-PV soft bag, especially the therapeutical infusion solutions, reduce the production and sales of general conventional infusion solutions, and increase PP plastic bottle and Non-PVC soft bag infusion solutions and therapeutical categories like Ambroxol, Amino Acid, Mannitol, Hydroxyethyl Starch, Ozagrel, Gatifloxacine, Fluconazole. At the same time, with the advantages of using self-produced raw materials of Hydroxyethyl Starch, we will increase the sales of our infusion variety. We will strengthen the strategic partnership with major hospitals and enterprises, boost up end-user sales, consolidate the existing market and develop new markets.

We will earnestly plan and implement key technological renovation projects. We will carry out an in-depth analysis on the changing trend of new industry competition situation, couple with the implementation of new GMP version, implement the modern infusion solution preparations and its ancillary projects and the construction pace of pharmaceutical ingredients project. The above will push forward and affect the corporate future development to ensure such project will be completed and commence operation during the year.

(2) Increase antibiotics sales through prices reduction

Under the new situation of national prices reduction, we will focus on direction and assessment "three mandatary plans" like the additional sales, distribution and end-user promotion for our leading branded product, Lijunsha, continue to strengthen market control, and further improve market penetration rate. We will make emphasis on launching the new 30s Lijunsha tablet specifications. We will pay high attention to the sales volume expansion of Lijunsha granules and capsules and will strive to realize a steady growth for overall sales of Lijunsha for the year.

We will capture the opportunities that Paiqi series of products are being newly recognized as “Chinese well-known Trademark” and give prominence to the brand propaganda and quality shaping. Whilst striving for increasing the sales of lyophilized powder injection, we will strive for promoting the Paiqi oral intake series (dispersible tablets, capsules and dry suspension) and its sales volume increase. Sales of Limaixian and cephalosporin powder injection products will operate based on its scale of production and will strive to achieve a significant growth for these products in a careful and intensive cultivation manner.

(3) Nurture proactively the growing points of new products

Dobesilate is the premier brand of the PRC microcirculation medicines that we have devoted tremendous resources and carefully nurtured in recent years. While strengthening our efforts in the development of hospital market and academic promotion, and securing the sales of prescription Dobesilate in 2011, we will further intensify the development of the OTC Dobesilate market and strive to make this “double span” product exceeding the HK$100,000,000 sales mark, whereby becoming the third preparation product of the Company achieving an annual sales of over HK$100,000,000. With the 50mg infusion solutions as the main product, we will focus on the hospitals and departments small-scale promotion conference for Lixiding and strive to achieve a sustainable and steady growth of sales for the year.

For influenza drugs like Haogan, we will enhance the organization of team building, value the national agency layout, attach importance to drugstores marketing, as well as intensify our efforts in propaganda and promotion, and endeavour to achieve larger sales of Haogan for the year. The featured OTC products like Kehao, Weikoujia, Lijungai, Zijin, Lingzhihong and Shentai oral liquids will, in the context of very limited advertising and promotion expenses, focus on the effective promotion and marketing, nurturing the loyal consumer base, and endeavour to achieve continuing fast growth of sales of such OTC products.

(4) Remain the marketing of general medicine and foreign trading

We will further develop the marketing idea and restructuring change in the sales of general medicine, emphasizing on the bidding and supplement, paying attention to selecting the relative advantageous featured products to further expand sale volumes, and endeavour to realize sales of RMB346,000,000 for the year. For foreign sales of featured preparation, we will further develop overseas markets and endeavour to realize a significant breakthrough of its exports.

(5) Accelerate new products development

We will try our best to obtain the production permits for our 10 new products in the year, including Compound Metformin Hydrochloride and Glipizide Tablets, Cetirizine Hydrochloride Tablets, Cefixime Orally Disintegrating Tablets, Glycine Irrigation Solution, Levofloxacin Lactate and Sodium Chloride Injection and Lingzhihong Capsules. During the year, we will strive to achieve breakthroughs in major key products under accelerating research including the Type 1.1 new drug for curing Alzheimer's disease, Type 1.5 new drug for gastric mucosal protection functions, Type 1.5 new drug for anti-influenza, Arbidol Hydrochloride Dry Suspension and Levamlodipine Besylate Tablets. By further leveraging on the scientific and research platforms such as the Lijun new medicine research institute, post-doctoral workstation in scientific research, national technology center, injection engineering technological center and innovative preparation engineering technical research center, we will strengthen our co-operation with national level scientific research institutions, introduce pioneers in scientific technology and post-doctoral research fellows and establish expert database in science and technology to improve our capabilities in research and development, providing strong support for the corporate development.

(6) Focus on expanding production and re-engineering of three major projects

To couple with the development plan under "the 12th Five Year Plan", in 2011, Xi'an Lijun will first commence the capacity expansion and re-engineering project of 15 billion tablets, and strive to complete the major construction by the end of the year. The capacity expansion and re-engineering projects for lyophilized powder injection and liquid injection will complete the proofing work in the first half year and submit to the Company for decision-making.

In general, our operation will be facing tremendous challenges, severe situations and unprecedented difficulties in 2011. However, we are confident about the development of the Company. With the grim objective situation, we will conquer all difficulties through the indomitable fightings and persistant efforts to consolidate and develop our advantages and strive for higher market share, and thus continue to create better returns to our investors.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010
(All amounts in HK$ unless otherwise stated)

	Note	2010 HK$'000	2009 HK$'000
Revenue	3	**1,971,657**	1,739,628
Cost of sales	10	**(980,031)**	(880,264)
Gross profit		**991,626**	859,364
Selling and marketing costs	10	**(461,270)**	(424,433)
General and administrative expenses	10	**(215,429)**	(175,555)
Other gains – net	3	**10,066**	21,404
Operating profit		**324,993**	280,780
Finance income	4	**4,540**	1,331
Finance costs	4	**(23,852)**	(41,114)
Finance costs – net		**(19,312)**	(39,783)
Profit before income tax		**305,681**	240,997
Income tax expense	5	**(44,992)**	(24,803)
Profit for the year		**260,689**	216,194
Other comprehensive income:			
Currency translation differences		**63,740**	2,422
Total comprehensive income for the year		**324,429**	218,616
Profit attributable to:			
Equity holders of the Company		**260,592**	216,095
Non-controlling interests		**97**	99
		260,689	216,194
Total comprehensive income attributable to:			
Equity holders of the Company		**324,295**	218,517
Non-controlling interests		**134**	99
		324,429	218,616
Earnings per share for profit attributable to the equity holders of the Company *(expressed in HK$ per share)*			
– Basic	6	**0.113**	0.106
– Diluted	6	**0.113**	0.105
Dividends	7	**96,075**	87,638

CONSOLIDATED BALANCE SHEET

As at 31 December 2010

(All amounts in HK$ unless otherwise stated)

	Note	**As at 31 December 2010** *HK$'000*	As at 31 December 2009 *HK$'000* (restated)	As at 1 January 2009 *HK$'000* (restated)
ASSETS				
Non-current assets				
Land use rights		**215,565**	209,247	214,036
Property, plant and equipment		**994,067**	823,174	792,855
Intangible assets		**551,977**	550,225	566,440
Deferred income tax assets		**21,200**	17,037	15,626
Available-for-sale financial assets		**152**	147	146
		1,782,961	1,599,830	1,589,103
Current assets				
Inventories		**298,607**	229,377	225,783
Trade and bills receivables	*8*	**484,968**	408,394	414,103
Financial assets at fair value through profit or loss		**–**	87	2,608
Prepayments, deposits and other receivables		**176,733**	68,945	44,165
Pledged bank deposits		**30,531**	8,662	16,232
Cash and cash equivalents		**598,911**	184,964	219,453
		1,589,750	900,429	922,344
Total assets		**3,372,711**	2,500,259	2,511,447
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital		**55,905**	48,894	46,959
Reserves				
– Proposed final dividend		**48,977**	42,398	20,270
– Others		**2,250,237**	1,533,484	1,301,615
		2,355,119	1,624,776	1,368,844
Non-controlling interests		**1,178**	1,044	945
Total equity		**2,356,297**	1,625,820	1,369,789

CONSOLIDATED BALANCE SHEET

As at 31 December 2010

(All amounts in HK$ unless otherwise stated)

	Note	As at 31 December 2010 HK$'000	As at 31 December 2009 HK$'000 (restated)	As at 1 January 2009 HK$'000 (restated)
LIABILITIES				
Non-current liabilities				
Borrowings		**66,594**	53,172	22,678
Convertible bonds		**–**	–	132,720
Deferred income tax liabilities		**26,250**	28,474	37,019
Deferred revenue		**4,818**	4,657	4,649
Long-term payables		**15,058**	15,189	15,661
		112,720	101,492	212,727
Current liabilities				
Trade and bills payables	9	**206,322**	143,942	143,046
Advanced receipts from customers		**23,276**	16,067	15,978
Accruals and other payables		**289,832**	138,894	195,876
Income tax payable		**17,712**	13,248	6,317
Borrowings		**366,552**	460,796	567,714
		903,694	772,947	928,931
Total liabilities		**1,016,414**	874,439	1,141,658
Total equity and liabilities		**3,372,711**	2,500,259	2,511,447
Net current assets/(liabilities)		**686,056**	127,482	(6,587)
Total assets less current liabilities		**2,469,017**	1,727,312	1,582,516

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in HK$ unless otherwise stated)

1. Basis of preparation

These consolidated financial statements are presented in Hong Kong Dollars ("HK$"), unless otherwise stated.

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 2010.

- HKFRS 3 (revised), 'Business combinations', and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

  The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

- HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. Adoption of HKAS 27 (revised) does not have any impact on the current period, as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non-controlling interests.

- HKAS 17 (amendment), 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Land use rights", and amortised over the lease term.

  HKAS 17 (amendment) has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases, and considered this amendment did not have any impact to the Group as all the leases of land should still be classified as operating lease under HKAS 17 (amendment).

- HKAS 36 (amendment), 'Impairment of assets', effective 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of HKFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics). The Group has treated the largest cash-generating unit to which goodwill is allocated for the purposes of impairment testing as an operating segment and the amendment does not have any impact on the Group's or Company's financial statements.

- HKAS 38 (amendment), 'Intangible assets', effective 1 January 2010. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.

Detailed changes in accounting policies are disclosed in annual report 2010.

2. Segment information

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

The board considers the business from product perspective. From a product perspective, the decision-maker assesses the performance of two product segments, namely intravenous infusion solution 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 statement of comprehensive income.

The segment information provided to the decision-maker for the reportable segments for the year ended 31 December 2010 is as follows:

	Intravenous infusion solution	**Antibiotics and others**	**Unallocated**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	788,904	1,182,753	–	1,971,657
Operating profit/(loss) segment results	202,319	143,940	(21,266)	324,993
Finance income	562	3,049	929	4,540
Finance costs	(8,844)	(12,696)	(2,312)	(23,852)
Profit/(loss) before income tax	194,037	134,293	(22,649)	305,681
Income tax expense	(28,680)	(16,312)	–	(44,992)
Profit/(loss) for the year	165,357	117,981	(22,649)	260,689

Other segment items included in the consolidated income statement for the year ended 31 December 2010 are as follows:

	Intravenous infusion solution	Antibiotics and others	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amortisation of land use rights	1,652	3,747	–	5,399
Depreciation of property, plant and equipment	55,566	23,758	748	80,072
Amortisation of intangible assets	16,916	1,189	–	18,105
Impairment of inventories	–	708	–	708
Provision for/(reversal of) impairment of receivables	254	(1,341)	–	(1,087)
Research and development expenses	3,709	9,513	–	13,222

The segment information provided to the decision-maker for the reportable segments for the year ended 31 December 2009 is as follows:

	Intravenous infusion solution	Antibiotics and others	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	659,715	1,079,913	–	1,739,628
Operating profit/(loss) segment results	169,876	122,194	(11,290)	280,780
Finance income	202	1,016	113	1,331
Finance costs	(11,803)	(11,282)	(18,029)	(41,114)
Profit/(loss) before income tax	158,275	111,928	(29,206)	240,997
Income tax expense	(10,723)	(14,080)	–	(24,803)
Profit/(loss) for the year	147,552	97,848	(29,206)	216,194

Other segment items included in the consolidated income statement for the year ended 31 December 2009 are as follows:

	Intravenous infusion solution *HK$'000*	Antibiotics and others *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amortisation of land use rights	1,572	3,687	–	5,259
Depreciation of property, plant and equipment	47,912	23,898	746	72,556
Amortisation of intangible assets	16,511	1,117	–	17,628
Reversal of impairment of inventories	–	(7,311)	–	(7,311)
Provision for/(reversal) of impairment of receivables	856	(6,335)	–	(5,479)
Research and development expenses	1,646	7,721	–	9,367

The segment assets and liabilities at 31 December 2010 are as follows:

	Intravenous infusion solution *HK$'000*	Antibiotics and others *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Total assets	1,843,768	1,209,169	319,774	3,372,711
Total liabilities	554,886	422,793	38,735	1,016,414

The segment assets and liabilities at 31 December 2009 are as follows:

	Intravenous infusion solution	**Antibiotics and others**	**Unallocated**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	1,435,431	1,045,192	19,636	2,500,259
Total liabilities	385,241	401,197	88,001	874,439

The total of non-current assets were as follows:

	2010	2009
	HK$'000	*HK$'000*
Total non-current assets other than deferred tax assets		
– Mainland China	**1,760,111**	1,580,474
– Hong Kong	**1,650**	2,319
Deferred tax assets	**21,200**	17,037
Total non-current assets	**1,782,961**	1,599,830

The chief operating decision-maker has also determined that no geographical segment information is presented as 100% of the Group's sales and operating profits are derived within the PRC and over 90% 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:

	2010	2009
	HK$'000	*HK$'000*
Revenue:		
– Sales of pharmaceutical products	**1,963,614**	1,732,327
– Sales of raw materials and by products	**993**	3,079
– Processing income	**5,055**	1,826
– Rental income	**1,995**	2,396
	1,971,657	1,739,628
Other gains – net:		
– Gain on disposal of financial assets at fair value through profit or loss	**1,321**	5,199
– Gain on redemption of convertible bonds	**–**	9,043
– Subsidy income	**8,745**	5,687
– Others	**–**	1,475
	10,066	21,404
	1,981,723	1,761,032

4. Finance income and costs – Group

	2010	2009
	HK$'000	*HK$'000*
Finance income – Interest income on bank deposits	**4,540**	1,331
Finance costs		
– Interest expense of bank borrowings wholly repayable within five years	**23,476**	26,096
– Discount of bills receivable	**1,596**	1,115
– Convertible bonds	**–**	13,703
– Net exchange (gain)/loss	**(1,220)**	200
	23,852	41,114

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.

Xi'an Lijun Pharmaceutical Co., Ltd. and Shijiazhuang No.4 Pharmaceutical Co., Ltd., the wholly owned subsidiaries of the Company, established and operate in Mainland China are subject to Mainland China Enterprise Income Tax ("EIT") at an applicable rate of 25%.

Both subsidiaries are wholly foreign owned enterprises and had obtained approvals from the relevant Mainland China Tax authority for their entitlement of a two-year full exemption followed by a three-year 50% tax deduction, commencing from the first cumulative profit-making year net of losses carried forward, i.e. 2005. Accordingly, EIT rate applicable to both subsidiaries was 12.5% during the year ended 31 December 2009, which is the last year of tax holiday.

For the year ended 31 December 2010, both subsidiaries are qualified as high new tech enterprises and entitled to a 15% preferential EIT rate for the years from 2010 to 2012.

The amounts of taxation charged to the consolidated income statement:

	2010	2009
	HK$'000	*HK$'000*
Current income taxation – Mainland China EIT	**51,659**	33,838
Deferred taxation	**(6,667)**	(9,035)
	44,992	24,803

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

	2010	2009
	HK$'000	*HK$'000*
Profit before income tax	**305,681**	240,997
Tax calculated at the domestic tax rate of 15% (2009: 25%) applicable to the subsidiaries	**45,852**	60,249
Tax exemption and reduction	**(4,785)**	(40,930)
Unrecognised tax losses	**3,398**	6,796
Expenses not deductible	**527**	394
Remeasurement of deferred tax – change in income tax rate	**–**	(1,706)
Tax expense	**44,992**	24,803
Effective tax rate	**14.7%**	10.3%

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.

	2010	2009
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**260,592**	216,095
Weighted average number of ordinary shares in issue *(thousands)*	**2,312,006**	2,032,713
Basic earnings per share *(HK$ per share)*	**0.113**	0.106

(b) Diluted

Diluted earnings per share is calculated after adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Since the Company has no category of dilutive potential ordinary shares at 31 December 2010, the diluted earnings per share is the same as basic earnings per share. At 31 December 2009, the Company has outstanding share options that will dilute the potential ordinary shares. For the outstanding share options, a calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares in the relevant periods) based on the market values of the subscription rights attached to outstanding share options. The number of shares calculated as below is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2010	2009
	HK$'000	*HK$'000*
Profit used to determine diluted earnings per share	**260,592**	216,095
Weighted average number of ordinary shares in issue *(thousands)*	**2,312,006**	2,032,713
Adjustment for share options *(thousands)*	**–**	19,732
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**2,312,006**	2,052,445
Diluted earnings per share *(HK$ per share)*	**0.113**	0.105

7. Dividends

	2010	2009
	HK$'000	*HK$'000*
Interim dividend of HK$0.02 (2009: HK$0.02) per ordinary share	**47,098**	40,540
Proposed final dividend of HK$0.02 (2009: HK$0.02) per ordinary share	**48,977**	47,098
	96,075	87,638

The proposed final dividend in respect of the year ended 31 December 2010 of HK$0.02 (for the year ended 31 December 2009: HK$0.02) per ordinary share, amounting to a total dividend of HK$48,977,000 calculated based on the 2,448,864,000 ordinary shares excluding the subsequent share cancellation (2009: 2,354,904,000 ordinary shares after issuance of placing share) 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 for the year ending 31 December 2011.

8. Trade and bills receivables – Group

	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**314,604**	245,527
Bills receivable	**187,820**	181,205
Less: provision for impairment	**(17,456)**	(18,338)
	484,968	408,394

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 is as follows:

	2010	2009
	HK$'000	*HK$'000*
Within 3 months	**441,976**	370,110
4 to 6 months	**28,462**	22,107
7 to 12 months	**9,000**	12,831
1 to 2 years	**9,212**	13,741
2 to 3 years	**9,808**	7,413
More than 3 years	**3,966**	530
	502,424	426,732

9. Trade and bills payables – Group

	2010	2009
	HK$'000	*HK$'000*
Trade payables	**175,791**	143,942
Bills payable	**30,531**	–
	206,322	143,942

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:

	2010	2009
	HK$'000	*HK$'000*
Within 3 months	**170,213**	110,544
4 to 6 months	**21,521**	19,964
7 to 12 months	**9,723**	8,285
1 to 3 years	**3,556**	4,644
More than 3 years	**1,309**	505
	206,322	143,942

10. Expense by nature – Group

	2010	2009
	HK$'000	*HK$'000*
Raw materials and consumables used	**749,899**	636,326
Changes in inventories of finished goods and work in progress	**(34,666)**	9,072
Staff costs		
– Wages and salaries	**202,892**	167,028
– Pension costs	**18,120**	16,472
– Welfare expenses	**37,979**	33,057
Sales commission	**183,512**	200,512
Utility expenses	**91,604**	74,539
Advertising expenses	**67,493**	62,906
Travelling, meeting and entertainment expenses	**58,583**	39,328
Operating leases rental expenses	**3,689**	5,139
Research and development expenses	**13,222**	9,367
Depreciation of property, plant and equipment	**80,072**	72,556
Write-down of/(Reversal of) inventories to their net realisable value	**708**	(7,311)
Reversal of impairment of receivables	**(1,087)**	(5,479)
Provision for impairment of property, plant and equipment	**2,169**	1,194
Amortisation of intangible assets	**18,105**	17,628
Amortisation of land use rights	**5,399**	5,259
Auditors' remuneration	**3,000**	2,270
Gain on disposals of property, plant and equipment	**(1,063)**	(361)
Gain on disposals of land use rights	**(190)**	–
Transportation expense	**74,619**	58,172
Others	**82,671**	82,578
Total cost of sales, selling and marketing costs and general and administrative expenses	**1,656,730**	1,480,252

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 2010, the cash and cash equivalents aggregated to HK$598,911,000 (2009: HK$184,964,000), comprising HK$316,387,000 (2009: HK$7,413,000) of cash and cash equivalents denominated in Hong Kong dollars, HK$280,987,000 (2009: HK$176,551,000) in RMB and HK$1,537,000 (2009: HK$1,000,000) in other currencies.

As at 31 December 2010, the Group has pledged bank deposits amounting to HK$30,531,000 (2009: HK$8,662,000) as guarantee of the bank borrowings, payables for property, plant and equipment and bills payable.

The carrying amounts of the borrowings amounting to HK$433,146,000 (2009: HK$513,968,000) as at 31 December 2010, comprising HK$80,590,000 (2009: HK$105,100,000) of borrowings denominated in Hong Kong dollars and HK$352,556,000 (2009: HK$408,868,000) in RMB.

Gearing ratio (defined as bank borrowings less pledged bank deposits and cash and cash equivalents divided by total equity less minority interests) decreased from 19.7% as at 31 December 2009 to -8.3% as at 31 December 2010.

Current ratio (defined as current assets divided by current liabilities) increased from 1.20 as at 31 December 2009 to 1.76 as at 31 December 2010.

FOREIGN EXCHANGE RISK

Majority of the Group's businesses are operated in the PRC and are denominated in RMB and HK dollar. The Group is of the opinion that its exposure to foreign exchange rate risk is limited.

PLEDGE OF ASSETS

As at 31 December 2010, the net book amount of the Group's land use right of HK$65,449,000 (2009: HK$64,854,000), the net book amount of the Group's buildings, plant and machineries of HK$246,749,000 (2009: HK$356,497,000) and bank deposits of HK$30,531,000 (2009: HK$8,662,000) were pledged as collateral for the Group's bank borrowings, payables for property, plant and equipment and bills payable.

CONTINGENT LIABILITIES

As at 31 December 2010, the Group did not have any significant contingent liabilities.

EXCHANGE RATE

As at 2010 and 2009, the exchange rates of converting HK$ into RMB (as calculated in HK$) were:

1 January 2009	0.88189
31 December 2009	0.88048
31 December 2010	0.85093

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Save for the allotment and issuance of an aggregate of (i) 235,000,000 shares of the Company to Value Partners Limited (205,000,000 shares) and Atlantis Investment Management Limited (30,000,000 shares) which details were set out in the Company's announcements dated 14 April 2010 and 27 April 2010 and (ii) 100,000,000 shares of the Company due to exercise of share options granted on 7 August 2008 as disclosed under the section headed "Share Option Scheme" and purchase of 6,040,000 shares in December 2010 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 2010.

During the year, the Company acquired an aggregate of 6,040,000 ordinary shares through purchases on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration (excluding transaction costs) of HK$13,738,350 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 14 January 2011.

Date of the purchases	**Total number of the ordinary shares purchased**	**Highest price paid per share**	**Lower price paid per share**	**Aggregate consideration**
		HK$	*HK$*	*HK$*
28 December 2010	1,400,000	2.32	2.27	3,200,750
29 December 2010	1,000,000	2.33	2.29	2,301,850
30 December 2010	1,480,000	2.31	2.22	3,356,450
31 December 2010	2,160,000	2.28	2.23	4,879,300
	6,040,000			13,738,350

SHARE OPTION SCHEME

The Group has adopted a share option scheme, which will remain in force for 3 years up to August 2011.

In August 2008, share options were granted to certain directors and employees to subscribe 100,000,000 shares (fully vested) in the Company at an exercise price of HK$0.7 per share, exercisable from August 2008 to August 2011.

On 4 October 2010, all share options were exercised which resulted in 100,000,000 shares being issued at HK$0.7 each. The weighted average share price at the time of exercise was HK$3.04 per share. Such 100,000,000 shares granted to certain directors and employees of the Group in 2008 were fully exercised and disposed in 2010. According to the relevant PRC tax laws and regulations, the PRC subsidiaries of the Group are responsible for withholding individual income tax for those directors and employees' gain from their share disposal (through the agent companies). In this regard, HK$94,429,000 receivables and the same amount of payables relating to PRC individual income taxes in total have been recorded in the consolidated financial statements.

	For the year ended 31 December			
	2010		2009	
	Average exercise price in HK$	***Number of share options***	*Average exercise price in HK$*	*Number of share options*
At 1 January	**0.7**	**100,000,000**	0.7	100,000,000
Exercised	**0.7**	**(100,000,000)**	–	–
At 31 December	**–**	**–**	0.7	100,000,000

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that a sufficient public float of more than 25% of the issued capital of the Company has been maintained as at the date of this announcement, being 25 March 2011, and at all times during the year ended 31 December 2010.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. All Directors have confirmed that there were not any non-compliance with the standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the year ended 31 December 2010.

DIVIDENDS

An interim dividend of HK$0.02 per share was declared on 23 August 2010 and paid on 24 September 2010.

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 (2009: HK$0.04) per share for the year ended 31 December 2010. The final dividend is subject to approval by the shareholders at the annual general meeting to be held on 27 May 2011 and payable on 9 June 2011 if it is approved.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company applied the principles and complied with all requirements of the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 to the Listing Rules. During the year, the Company has complied with the applicable Code Provisions set out in the CG Code.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's annual results for the year ended 31 December 2010 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 2010 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 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 24 May 2011 (Tuesday) to 27 May 2011 (Friday) (both days inclusive) during which period no transfer of Shares will be effected. In order to qualify for the proposed final dividend and the entitlement to attend and vote at the forthcoming annual general meeting, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 23 May 2011 (Monday).

ANNUAL GENERAL MEETING

The 2011 Annual General Meeting of the Company will be held at 10:00 a.m. on 27 May 2011 at Office 2809, 28th Floor, Office Tower, Convention Plaza, 1 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 2010 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, 25 March 2011

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