



Announcement of 2011 Annual Results

Financial Summary

- Loss attributable to equity holders was HK\$ 41million, loss per share was HK\$0.017.
- Sales revenue of the Group was HK\$ 2155 million, increased by 9.3% as compared to the corresponding period last year.
- The sales revenue of the Group's antibiotics and non-antibiotics was HK\$ 1119 million, decreased by 5.4% as compared to the corresponding period last year.
- The sales revenue of the Group's intravenous infusions and its underlying businesses increased by 31.4% to HK\$ 1036 million as compared to the corresponding period last year.
- Gross profit was HK\$ 914 million.
- Operating profit was HK\$ 13million.
- The Board proposed 2011 final dividends for the year were HK\$ 0.02 per share. Together with an interim dividend of HK\$ 0.02 per share, total dividends for the year were HK\$ 0.04 per share.

(26 March 2011 – Hong Kong) Lijun International Pharmaceutical (Holding) Co., Ltd. ("Lijun International" or the "Company"; stock code: 2005) and its subsidiary (the "Group") announces the operating results of the Group for the year ended 31 December 2011 (the "Year").

During the year, after deducting provision for impairment of goodwill of HK\$ 224 million, the Group's loss attributable to the equity holders of HK\$ 41 million; gross profit decreased by 7.9% to HK\$ 914 million as compared to the corresponding period last year; sales revenue increased by 9.3% to HK\$ 2155 million as compared to the corresponding period last year, among which, the sales revenue of the Group's antibiotics and non-antibiotics decreased by 5.4% to HK\$ 1119 million as compared to the corresponding period last year; the sales revenue of intravenous infusions and its underlying businesses increased by 31.4% to HK\$ 1036 million as compared to the corresponding period last year. Operating profit was HK\$ 13 million, decreased by 96% as compared to the corresponding period last year. The Board of directors (the "Board") proposed a final dividend of HK\$ 0.02 per share (2010: HK\$ 0.02 per share). Together with an interim dividend of HK\$ 0.02 per share, total dividends for the year were HK\$ 0.04 per share.

Reviewing the results of the full year of 2011, Mr. Wu Qin, Chairman of Lijun International said, "Throughout 2011, the difficulties faced by the Group were unprecedented. On one hand,

with intensifying domestic inflation, the prices of energy power, raw and auxiliary materials and labour costs had continued to rise, while on the other hand, the National Development and Reform Commission had substantially reduced the prices of pharmaceutical products with the nationwide launching of the essential medicine tender policy of “only lower price can prevail”. Hence, sales of the Group’s products was vastly affected, resulting a substantial drop of its overall gross profit margin. Meanwhile, city construction tax and supplemental education tax were imposed since 2010. Facing such uncontrollable and unfavourable profit reduction factors, the Group managed to expand the production and sales scale of its leading branded products, strive to reduce its production and operation costs, proactively adjust the management and growth models, and strive to overcome the adverse impact from policy change and market competition.”

The infusion solution products became the severely-affected sector under the new essential medicine tender policy. However, the Group was successful in coping with the market changes and policy variation, and achieved remarkable results through enhancing the domestic market and expanding foreign trade sales. The Group had further optimized its infusion solution product structure with sales revenue of non-PVC soft bag infusion solution and PP plastic bottle infusion solution during the year increased by 49% and 31.2% respectively as compared with the same period last year. The Group’s customer base is moving further towards the high-end. Foreign trade export and processing continued to growth. The Group’s product is exporting to 50 countries and regions with export sales reached US\$7,500,000, representing an year-on-year increase of 14.3%.

For the antibiotics preparation, the National Development and Reform Commission lowered the prices of numerous antibiotics. Among which, the prices of Lijunsha and Paiqi, our leading branded products, were lowered by 10% to 52% respectively. As a results, both sales and profit were reduced. Sales of Lijunsha dropped for the first time for more than 10 years to less than HK\$400,000,000, and sales of Paiqi products also failed to achieve the anticipated target. Amid the price reduction of Lijunsha, the Group determined to rectify Lijunsha’s market by solving problems of price distortion in its market. At the same time, the Group vigorously developed the second-tier distribution to strive for achieving comprehensive commercial distribution and continuously enhancement of the terminal network systems, which had mitigated, to a certain extent, the impact from the national policy change on the Group’s operation.

During the year, The Group further strengthened the end-user market promotion of key products such as Dobesilate and Lixiding and made every effort to expand the market share of general medicines product market. Under the demise of severe market situation, sales of Dobesilate amounted to HK\$92,600,000 for the year, representing a growth of 13% as compared to last year. Facing the state’s price reduction pressure of 23.8%, sales of Lixiding amounted to HK\$31,790,000 for the year, representing a decrease of 10.5% as compared to last year. Sales

of new OTC products including Haogan influenza drugs, Lijungai, Weikoujia and Kehao amounted to HK\$20,790,000, representing an increase of 42% as compared to last year. Sales of general medicines amounted to HK\$424,000,000 for the year, representing an increase of 11% as compared to last year.

For the construction of new projects, the modernized soft-packaging infusion solution with an annual capacity of 500,000,000 bottles (bags) and its ancillary logistic project were fully completed and commenced production in March 2012. The modernized soft-packaging infusion solution and its logistics ancillary project were all designed for fully compliance with European Union certification standards. The project mainly produced new soft bag infusion solution products like single-outlet pipe and double-outlet double valve which doubled the production capacity of infusion solution.

For the new products development, the Group has achieved the following: 1) Shijiazhuang No. 4 Pharma obtained four specifications add-in production permits successively, including Levofloxacin Lactate and Sodium Chloride Injection and Mannitol Injection, ten permits for production technique alteration and packaging materials registration, and one design patent; 2) Shijiazhuang No. 4 Pharma completed the application and preparation methods of three invention patents such as Cefprozil Tablets and Cefdinir Capsules; 3) “New drug for curing Alzheimer’s disease” of Xi’an Lijun Pharmaceutical had obtained the authorization for compounds invention patent; 4) “Technology Re-engineering on Erythromycin Ethylsuccinate Crystallization”, a project of “New Key Drug Project of Twelfth Five-Year”, had entered into a contract with the Ministry of Science and Technology of China; 5) the “Duan Xue Liu Capsules” project was awarded the Third Prize of Xi’an Scientific and Technological Advancement; 6) Dirithromycin Enteric-coated Tablets (0.25g specification) had obtained the clinical trial permit; 7) “Compound Dextral Ibuprofen Sustained-release Double-layered Tablets”, a drug for curing trachea inflammation, and “Type 1.1 New Drug MeN061016-1”, a drug for curing vascular dementia had completed the application of a domestic invention patent for new indication.

Looking forward to the year of 2012, Mr. Wu said: “Looking forward to 2012, I believe the situation that the Group encounter will still be severe and the operation environment will become more difficult. There will be a further increases in price for raw materials and power and labor costs. The Group will further enhance the marketing, economize costs in all aspects, reduce expenditure and develop better new products, in order to be prepared for surpassing this challenge as well as laying a solid foundation for market turnaround in the future. With the Group’s solid foundation and various strengths, we will be able to overcome the challenges ahead and achieve greater development, bringing fruitful returns to the investors eventually.”

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About Lijun International Pharmaceutical (Holding) Co., Ltd.

As one of the leading manufacturers in the pharmaceutical industry in China, Lijun International Pharmaceutical (Holding) Co., Ltd. has more than 70-year operating history and well-known brands. The Group was listed on Hong Kong Stock Exchange in December 2005 (stock code: 2005). The Group is engaged in the research, development, manufacturing and selling of a wide range of finished medicines and bulk pharmaceutical products to hospitals and distributors, including antibiotics, intravenous infusion solution, non-antibiotics finished products, bulk pharmaceuticals and health care product. The Group has manufacturing plants in Hebei Province and Shaanxi Province, the People's Republic of China and sells to customers mainly in Mainland China. The Company is the largest domestic manufacturer of macrolide antibiotics, with a leading position for its intravenous infusion solution products in high-end hospital market. The Company boasts of its robust brand strength including "Lijunsha", a "Famous Trademark" in China and one of the "Ten Favourite Trademarks" which took over approximately 66% market share in 2009. The Group successfully acquired Shijiazhuang No. 4 Pharmaceutical Co., Ltd., a leading intravenous infusion solution manufacturer in China in June 2007 to expand its intravenous infusion solution production business. Facing more merger and acquisition opportunities from medical reform, the Group is positioned for continuous mergers and acquisitions to promote its growth.

This press release is issued by Wonderful Sky Financial Group Limited on behalf of Lijun International Pharmaceutical (Holding) Co., Ltd.

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Attachment:**Consolidated Statement of Comprehensive Income***Unit: HK\$'000*

	Year ended 31 December	
	2011	2010
Revenue	2,155,215	1,971,657
Cost of sales	(1,241,525)	(980,031)
Gross profit	913,690	991,626
Selling and marketing costs	(441,342)	(461,270)
General and administrative expenses	(466,783)	(215,429)
Other gains – net	7,581	10,066
Operating profit	13,146	324,993
Finance income	2,771	4,540
Finance costs	(18,111)	(23,852)
Finance costs – net	(15,340)	(19,312)
(Loss) / profit before income tax	(2,194)	305,681
Income tax expense	(39,183)	(44,992)
(Loss) / profit for the year	(41,377)	260,689
(Loss) / profit attributable to:		
– Equity holders of the Company	(41,401)	260,592
– Minority interest	24	97
	(41,377)	260,689