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 FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

On behalf of the board of directors of Lijun International Pharmaceutical (Holding) Co., Ltd. (the "Company"), I am pleased to present the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2006.

RESULTS AND DIVIDEND PAYMENTS

In 2006, the revenue of the Group amounted to RMB860,641,000, representing a mild decrease of 2.7%. Profit attributable to equity holders of the Company dropped by 9.4% as compared to that of previous year, amounted RMB84,575,000. The results was considered hard-earned given the harsh market conditions of the pharmaceutical industry in 2006. A breakdown of the revenue of the Group for the year ended 31 December 2006 is set out as follows:

	2006		2005		
	RMB'000	*%*	*RMB'000*	*%*	*%*
Antibiotics					
— Lijunsha	**413,338**	**48.0**	422,341	47.7	**-2.1**
— Paiqi	**80,996**	**9.4**	89,083	10.1	**-9.1**
— Erythromycin tablets	**62,080**	**7.2**	54,002	6.1	**15.0**
— Cephalosporin	**28,914**	**3.4**	52,927	6.0	**-45.4**
— Other antibiotics	**35,194**	**4.1**	48,811	5.5	**-27.9**
Total sales of antibiotics finished products	**620,522**	**72.1**	667,164	75.4	**-7.0**
Non-antibiotic					
Dobesilate	**32,847**	**3.8**	29,934	3.4	**9.7**
Other non-antibiotic medicines	**127,042**	**14.8**	100,288	11.3	**26.7**
Total sales of non-antibiotic finished products	**159,889**	**18.6**	130,222	14.7	**22.8**
Sales of bulk pharmaceuticals	**75,189**	**8.7**	72,825	8.2	**3.3**
Others	**5,041**	**0.6**	14,498	1.7	**-65.2**
Group's total revenue	**860,641**	**100**	884,709	100	**-2.7**

The Board proposed a final dividend of HK$0.07 per ordinary share for the year 2006. Taking into account the interim dividend already paid, the total dividend for the year amounts to HK$0.14 per ordinary share.

BUSINESS REVIEW

For the year 2006, the State's rectification regulation over the purchasing administration of the medical products in the hospitals, have had significant impact on the overall pharmaceutical markets, especially with regard to prescriptive medicine. In August 2006, the National Development and Reform Commission of the PRC（中國國家發展和改革委員會）lowered the maximum retail price of the Company's core product, Lijunsha and several types of antibiotics products. These two factors combined positioned the Company's product sales for the year before serious test. Confronted by the sudden market change, the Company takes full advantage of its sales network and brand recognition and adjusted its sales strategies to maintain a satisfactory sales performance.

Antibiotics products continued to see stable sales. Despite the sluggish market conditions for antibiotics products across the country, the core product, Lijunsha, managed to record sales of RMB413,338,000, a mere decrease of 2.1%, and maintained the absolute leading position in similar antibiotics products in the PRC. Lijunsha was also awarded the honor of "Most Recommended Brand By Salesperson In Drug Stores of China (中國藥店店員推薦率最高品牌)". Given the difficult conditions to promote injection and lyophilized powder for injection forms products in hospitals, the Group focused on the sales of the newly launched dispersible tablets of Paiqi series products, which has been fast growing over the recent years, through drug stores. Paiqi dispersible tablet recorded a sales of RMB4,000,000 in the first year of launch, and Paiqi series products recorded a stable sales of over RMB80,000,000. As a result of the rural market development, the sales of Erythromycin tablets increased by 15% to RMB62,080,000.

However, due to various reasons including Cephalosporins products failing to reach the target, antibiotics products recorded a decrease of 7% in the sales of as compared with last year. The overal sales of antibiotics products accounted for 72.1% of the total revenue of the Company.

Non-antibiotics products continued to see steady growth. Through effective academic marketing strategy, Dobesilate recorded a sales of RMB32,847,000, representing a growth of 9.7%, and won the honor of "Chinese Consumers' Most Preferred Brand for Cerebro-Cardiovascular Medicines (中國心腦血管用藥消費者滿意首選品牌)". Owing to the development of sales network in rural areas, the sales of non-antibiotic general finished medicines recorded an increase of 26.7% as compared with last year. As for bulk pharmaceutical products, the Group took advantage of the fact that its Erythromycin products being the first in China to obtain U.S. FDA certification to promote the export of Erythromycin. Coupled by flexible marketing strategies, the bulk pharmaceutical of the Group recorded a total sales of RMB75,189,000 for the year, representing a growth of 3.3%.

The product costs were further lowered through control over raw material prices and internal technical renovation, resulting lower total cost of sales for the year.

The Company recorded satisfactory results in terms of acquisition and merger. In June 2006, the Company successfully acquired 20% equity interst in Xi'an Lijun. In March 2007, the Company had entered into an acquisition agreement with vendor to acquire 100% equity interest of New Orient Investments Limited, which is the sole shareholder of its subsidiary Shijiazhuang No. 4 Pharmaceutical Co., Ltd., a well-known company in the PRC for producing and selling infusion products, resulting further diversified product line, extended sales network and quickly expanded profit base to the Company and hence significantly strengthened abilities of the Company to guard against market risks.

OUTLOOK

The Company expects to totally change its situation of excessively relying on antibiotics products. Following the completion of the acquisition of Shijiazhuang No. 4 Pharmaceutical Co., Ltd, the product portfolio will be rapidly diversified, infusion products and Chinese medicine products will account for significant contribution to the total sales and profit of the Group. The new product development, management and leveraging the supplementary advantages of the sales network of the two subsidiaries will be the focal work of the Company to promote fast development of the whole Group.

It is still the Company's objective to maintain the Company's leading position in Macrolide antibiotics. We also plan to take multiple measures to expand the marketshare of Lijunsha products, increase the product categories of Paiqi series in order to suit different market needs and increase sales.

In the meantime, the Company will devote to the development of over-the-counter ("OTC") products. OTC Dobesilate will be launched to market in 2007. On the other hand, following the completion of production line for modern oral solution and modern soft capsules, the Company will introduce new products with unique curative effects integrating advanced new technologies, which are expected to become new driving force for the development of the Company.

It is believed that the State's reform to the medical system and the establishment of the new cooperative medical system in rural areas will contribute to the development of a better regulated medical market, which in turn will help to create greater new markets, bringing more opportunities to major pharmaceutical companies with branding advantages. We believe the medical industry is in a process of integration, and that the current situation is beneficiary to big-sized enterprises. We aim to leverage such opportunities to facilitate fast development through acquisitions of other good quality enterprises in the PRC at proper stages.

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 cashflow is insufficient to meet the capital requirements.

As at 31 December 2006, the cash and cash equivalents aggregated to RMB167,387,000 (2005: RMB275,122,000), comprising RMB46,469,000 (2005: RMB129,745,000) of cash and cash equivalents denominated in Hong Kong dollars, RMB116,068,000 (2005: RMB145,106,000) in RMB and RMB 4,850,000 (2005: RMB271,000) in other currencies.

As at 31 December 2006, the Group has restricted deposits amounted to RMB16,248,000. (2005: nil) as guarantee of the bank borrowings.

Bank borrowings amounted to RMB209,376,000 (2005: RMB113,000,000) as at 31 December 2006, comprising RMB80,376,000 (2005: Nil) of bank borrowings denominated in Hong Kong dollars and RMB129,000,000 (2005: RMB113,000,000) in RMB. The increase was mainly due to bank borrowings obtained for acquisition of 20% interest in Xi'an Lijun in June 2006 and for general working capital of the Group.

Gearing ratio (defined as total liabilities divided by total assets) increased from 36.6% as at 31 December 2005 to 45.1% as at 31 December 2006.

Current ratio (defined as current assets divided by current liabilities) decreased from 1.79 as at 31 December 2005 to 1.43 as at 31 December 2006.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006
(All amounts in RMB)

	Note	Year ended 31 December 2006 RMB'000	2005 RMB'000
Revenue	*2*	**860,641**	884,709
Cost of sales		**(415,806)**	(436,842)
Gross profit		**444,835**	447,867
Other gains — net	*2*	**176**	508
Selling and marketing costs		**(223,726)**	(202,793)
General and administrative expenses		**(123,992)**	(108,414)
Operating profit		**97,293**	137,168
Finance income		**5,340**	1,569
Finance costs		**(10,232)**	(7,069)
Profit before income tax		**92,401**	131,668
Income tax expense	*3*	**966**	(15,122)
Profit for the year		**93,367**	116,546
Attributable to:			
Equity holders of the Company		**84,575**	93,311
Minority interest		**8,792**	23,235
		93,367	116,546
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RMB per share)			
— basic	*6*	**0.29**	0.44
— diluted	*6*	**0.29**	0.44
Dividends	*5*	**41,363**	48,367

CONSOLIDATED BALANCE SHEET

As at 31 December 2006
(All amounts in RMB)

	Note	As at 31 December 2006 RMB'000	2005 RMB'000
ASSETS			
Non-current assets			
Land use rights		**6,945**	7,014
Property, plant and equipment		**359,943**	336,726
Intangible assets		**6,983**	—
Deferred income tax assets	*4*	**8,402**	7,436
Available-for-sale financial assets		**609**	609
		382,882	351,785
Current assets			
Inventories		**85,485**	93,385
Trade and bills receivable	*7*	**215,867**	151,326
Prepayments, deposits and other receivables		**47,039**	66,000
Restricted cash		**16,248**	—
Cash and cash equivalents		**167,387**	275,122
		532,026	585,833
Total assets		**914,908**	937,618
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**30,229**	30,229
Reserves		**472,088**	470,496
		502,317	500,725
Minority interest		**—**	93,647
Total equity		**502,317**	594,372
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings		**28,131**	—
Long-term payables		**12,713**	16,512
		40,844	16,512
Current liabilities			
Trade and bills payable	*8*	**52,192**	60,264
Advance receipts from customers		**10,348**	14,516
Accruals and other payables		**96,649**	108,831
Income tax payable		**14,628**	14,628
Dividend payable		**2,582**	—
Amount due to minority shareholder of a subsidiary		**11,742**	14,763
Short-term bank borrowings		**169,188**	108,000
Current portion of long-term bank borrowings		**12,057**	5,000
Current portion of long-term payables		**2,361**	732
		371,747	326,734
Total liabilities		**412,591**	343,246
Total equity and liabilities		**914,908**	937,618
Net current assets		**160,279**	259,099
Total assets less current liabilities		**543,161**	610,884

1. Basis of preparation

The financial statements of Lijun International Pharmaceutical (Holding) Co., Ltd. have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

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

(a) Amendments to published standards effective in 2006

Hong Kong Accounting Standards ("HKAS") 19 (Amendment), Employee Benefits, is mandatory for a company's accounting periods beginning on or after 1 January 2006. It introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. The amendment does not have significant impact to the Group and the adoption of this amendment only impacts the format and extent of disclosures presented in the consolidated financial statements.

(b) Standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards and interpretations to existing standards that have been issued and will become mandatory for a company's accounting periods beginning on or after 1 May 2006 but which the Group has not early adopted:

HKFRS 7, Financial instruments: Disclosures, and the complementary Amendment to HKAS 1, Presentation of Financial Statements — Capital Disclosures. HKFRS 7 introduces new disclosures relating to financial instruments. This standard does not have any impact on the classification and valuation of the Group's financial instruments.

HKFRS 8, 'Operating segments', effective for annual periods beginning on or after 1 January 2009. This standard supersedes HKAS 14 Segment Reporting, under which segments were identified and reported on risk and return analysis. Items were reported on the accounting policies used for external reporting. Under HKFRS 8, segments are components of an entity regularly reviewed by an entity's chief operating decision-maker. Items are reported based on the internal reporting. Management is currently assessing the impact of HKFRS 8 on the Group's operations. The Group will apply HKFRS 8 with effect from 1 January 2009.

Hong Kong International Financial Reporting Interpretation Committee ("HK(IFRIC)")-Int 8, Scope of HKFRS 2 (effective for annual periods beginning on or after 1 May 2006). HK(IFRIC)-Int 8 requires the consideration of transactions involving the issuance of equity instruments — where the identifiable consideration received is less than the fair value of the equity instruments issued as to whether they fall within the scope of HKFRS 2. The Group will adopt HK(IFRIC)-Int 8 from 1 January 2007, but it is not expected to have any impact on the Group's consolidated financial statements.

HK(IFRIC)-Int 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). HK(IFRIC)-Int 10 prohibits the reversal of impairment losses recognised in an interim period in respect of goodwill, investments in equity instruments and investments in financial assets carried at cost, at a subsequent balance sheet date. The Group will adopt HK(IFRIC)-Int 10 from 1 January 2007, but it is not expected to have significant impact on the Group's consolidated financial statements.

(c) Interpretations to existing standards that are not yet effective and not relevant to the Group's operations

The following interpretations to existing standards have been issued and are mandatory for a company's accounting periods beginning on or after 1 March 2006 but are not relevant to the Group's operations:

HK(IFRIC)-Int 7, Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies (effective from 1 March 2006). HK(IFRIC)-Int 7 provides guidance on how to apply requirements of HKAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As none of the Group's entities operates in a hyperinflationary economy, HK(IFRIC)-Int 7 is not relevant to the Group's operations;

HK(IFRIC)-Int 9, Reassessment of embedded derivatives (effective for annual periods beginning on or after 1 June 2006). HK(IFRIC)-Int 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment if required. As none of the Group's entities have changed the terms of their contracts, HK(IFRIC)-Int 9 is not relevant to the Group's operations.

(d) Standards, amendments and interpretations effective in 2006 but not relevant to the Group's operations

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the Group's operations:

- HKAS 21 Amendment — Net Investment in a Foreign Operation;
- HKAS 39 Amendment — Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- HKAS 39 Amendment — The Fair Value Option;
- HKAS 39 and IFRS 4 Amendment — Financial Guarantee Contracts;
- HKFRS 6, Exploration for and Evaluation of Mineral Resources;
- HKFRS 1 Amendment — First-time Adoption of International Financial Reporting Standards and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources;
- HK(IFRIC)-Int 4, Determining whether an Arrangement contains a Lease;
- HK(IFRIC)-Int 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds; and
- HK(IFRIC)-Int 6, Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment.

2. Revenue and other gains

The Group is principally engaged in the manufacturing and sale of pharmaceutical products. Revenue recognised is as follows:

	Year ended 31 December	
	2006	2005
	RMB'000	*RMB'000*
Revenue:		
— Sales of pharmaceutical products	**857,456**	880,452
— Processing income	**2,312**	3,410
— Sales of raw materials and by products	**873**	847
	860,641	884,709
Other gains — net:		
— Investment income	**176**	—
— Gain on disposal of a land use right	**—**	508
	176	508
	860,817	885,217

3. Income tax expense

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of the Cayman Islands and, accordingly, is exempted from payment of the Cayman Islands income tax.

No Hong Kong profits tax was provided as the Group had no assessable profit in Hong Kong in 2006 and 2005.

According to relevant PRC rules and regulations, Xi'an Lijun Pharmaceutical Co., Ltd., ("Xi'an Lijun") being qualified as an encouraged domestic enterprise in the western region of the PRC, is entitled to preferential PRC Enterprise Income Tax ("EIT") rate of 15% from 2002 to 2004, on an annual approval basis.

In December 2004, Xi'an Lijun has obtained approval to be designated as a sino-foreign joint venture enterprise and therefore ceased to be entitled to the preferential EIT rate of 15%. In May 2005, the EIT rate of Xi'an Lijun has been approved to be 24%, which was effective from 1 Januanry 2005. Being incorporated as foreign investment enterprise in PRC, Xi'an Lijun has obtained approvals in May 2005 from the relevant tax authorities in Xi'an, which is also effective from 1 January 2005, for their entitlement to exemption from EIT for the first two years and 50% reduction in EIT for the next three years, commencing from the first profitable year after offsetting all unexpired tax losses carried forward from the previous years in accordance with the relevant tax rules and regulations applicable to foreign investment enterprises in PRC.

Shaanxi Rejoy Hengxintang Pharmaceutical Co., Ltd. is subject to EIT levied at an approved rate of taxable income based on its audited accounts prepared in accordance with the laws and regulations in the PRC. As at 31 December 2006, Shaanxi Rejoy Hengxintang Pharmaceutical Co., Ltd. has accumulated net losses brought forward and has submitted application for its applicable tax rate and is still awaiting approval from tax authority.

The amounts of taxation credited/(charged) to the income statement represent:

	Year ended 31 December	
	2006	2005
	RMB'000	*RMB'000*
Current taxation — EIT	**—**	—
Deferred taxation *(Note 4)*	**966**	(15,122)
	966	(15,122)

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

	Year ended 31 December	
	2006	2005
	RMB'000	*RMB'000*
Profit before income tax	**92,401**	131,668
Weighted average EIT rates in the PRC	**24%**	24%
Tax calculated at the weighted average EIT rate	**(22,176)**	(31,600)
Tax exemption	**21,755**	28,259
Effect of change in the estimate of the reversal period of temporary differences in which different tax rates are applied	**1,387**	—
Expenses not deductible for tax purposes	**—**	(345)
Effect of change of the Group's tax status for the calculation of deferred taxation	**—**	(11,436)
Tax charge	**966**	(15,122)

4. Deferred income tax asset — Group

	As at 31 December	
	2006	2005
	RMB'000	*RMB'000*
Deferred tax assets:		
— Deferred tax asset to be recovered after more than 12 months	**5,455**	7,436
— Deferred tax asset to be recovered within 12 months	**2,947**	—
	8,402	7,436

The movements in deferred tax assets are as follows:

	Accrual of sales commission and others *RMB'000*	Provisions for impairment of trade receivables *RMB'000*	Inventory write-down *RMB'000*	Timing difference in expense recognition *RMB'000*	Total *RMB'000*
At 1 January 2005	8,563	6,993	1,879	5,123	22,558
Recognised in the income statement *(Note 3)*	(8,563)	(4,086)	(708)	(1,765)	(15,122)
At 31 December 2005	—	2,907	1,171	3,358	7,436
Recognised in the income statement *(Note 3)*	2,663	(1,109)	(143)	(445)	966
At 31 December 2006	**2,663**	**1,798**	**1,028**	**2,913**	**8,402**

5. Dividends

An interim dividend in respect of the six months ended 30 June 2006 of HK$0.07 per share, amounting to a total dividend of RMB20,933,000 was approved at the meeting of the board of directors on 1 September 2006.

A final dividend in respect of 2006 of HK$0.07 per share, amounting to a total dividend of RMB20,430,000 is to be proposed at the upcoming annual general meeting. These financial statements do not reflect this dividend payable.

	2006 ***RMB'000***	2005 *RMB'000*
Approved interim dividend of HK$0.07 (2005: Nil) per ordinary share	**20,933**	—
Proposed final dividend of HK$0.07(2005: HK$0.16) per ordinary share	**20,430**	48,367
	41,363	48,367

6. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company of RMB84,575,000 by the weighted average number of 290,500,000 ordinary shares in issue during the year.

The comparative basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company of RMB93,311,000 by the weighted average number of 212,426,000 ordinary shares in issue for the year ended 2005.

7. Trade and bill receivable — Group

The Group generally required its customers to settle sales invoices within 3 months. Ageing analysis of trade and bills receivables is as follows:

	As at 31 December	
	2006	2005
	RMB'000	*RMB'000*
Within 3 months	**182,551**	127,698
4 to 6 months	**24,027**	18,525
7 to 12 months	**14,185**	9,534
1 to 2 years	**2,265**	2,204
2 to 3 years	**683**	2,234
More than 3 years	**3,843**	13,638
	227,554	173,833
Less: Provision for impairment of receivables	**(11,687)**	(22,507)
	215,867	151,326

The Group has written off approximately RMB14,478,000 (2005: RMB983,000) and recognised loss of RMB3,658,000 (2005: Write back of RMB3,784,000) for impairment of its trade receivables during the year ended 31 December 2006. The loss has been included in general and administrative expenses.

There is no concentration of credit risk with respect to trade and bills receivables, as the Group has a large number of customers, nationally dispersed. The carrying amounts of the trade and bills receivables approximate their fair value.

At the respective balance sheet dates, the trade and bills receivables were denominated in currencies as follows:

	2006	2005
	RMB'000	*RMB'000*
USD	**1,329**	65
RMB	**226,225**	173,768
	227,554	173,833

8. Trade and bills payable — Group

	As at 31 December	
	2006	2005
	RMB'000	*RMB'000*
Trade payable	**52,192**	56,264
Bills payable	**—**	4,000
	52,192	60,264

The carrying amounts of the trade and bills payable approximate their fair value.

Ageing analysis of trade and bills payable at respective balance sheet dates are as follows:

	As at 31 December	
	2006	2005
	RMB'000	*RMB'000*
Within 3 months	**36,186**	55,037
4 to 6 months	**1,296**	1,003
7 to 12 months	**657**	897
1 to 3 years	**12,272**	1,709
More than 3 years	**1,781**	1,618
	52,192	60,264

9. Expense by nature — Group

	Year ended 31 December	
	2006	2005
	RMB'000	*RMB'000*
Raw materials and consumables used	**307,306**	314,627
Sales commission	**105,865**	97,331
Staff costs including directors' emoluments		
— wages and salaries	**67,307**	66,635
— pension costs	**12,036**	9,912
— welfare expenses	**17,463**	10,861
Utility expenses	**54,032**	50,973
Advertising expenses	**52,999**	37,781
Depreciation of property, plant and equipment	**30,132**	35,044
Research and development costs	**7,833**	7,429
Operating leases — rental expenses in respect of land use right in the PRC	**5,461**	5,461
Provision/(reversal of) for impairment of receivables	**3,658**	(3,508)
Auditors' remuneration	**2,300**	1,768
Amortisation of intangible assets (charged to general and administrative expenses)	**384**	(39)
Amortisation of land use rights (charged to general and administrative expenses)	**69**	82
Loss/(gain) on disposal of property, plant and equipment	**61**	—
Impairment of goodwill	**—**	601
Reversal of inventory write-down	**(209)**	(2,764)
Change in inventories of finished goods and work in progress	**(8,032)**	5,077
Others	**104,859**	110,778
Total cost of sales, selling and marketing costs and general and administrative expenses	**763,524**	748,049

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 during the year.

DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the **"Model Code"**) as set out in Appendix 14 of the Listing Rules and requires the Directors to follow the Model Code while conducting securities transactions. Such requirements also apply to the Company's management. The Company has made specific enquiries to all Directors and has confirmed that all of the Directors has complied with the required standard of securities transactions by the Directors set out in the Model Code for the year of 2006.

SUBSTANTIAL INVESTMENT AND ACQUISITION

On 23 June 2006, the Group completed the acquisition of 20% of Xi'an Lijun from Rejoy Group Limited Liability Company (the "Rejoy Group") for a consideration of RMB102,556,000. Xi'an Lijun became a wholly-owned subsidiary of the Group after the acquisition. Details of the acquisition had been set out in the circular to the shareholders dated 5 June 2006.

POST BALANCE SHEET EVENTS

On 25 March 2007, the Company entered into an acquisition agreement with CMP Group Limited (the "Vendor") and China Pharmaceutical Company Limited (being the guarantor of the Vendor under the acquisition agreement) to purchase the entire interests in, and a shareholder loan of, New Orient Investments Limited ("New Orient") at a consideration which is equivalent to the aggregate sum of (i) 7.5 times the audited profit attributable to the shareholders of New Orient and its subsidiaries (excluding any profit or loss generated in connection with foreign exchanges) for the year ended 31 December 2006; and (ii) any income generated in connection with foreign exchanges for the year ended 31 December 2006. However, in any event, the consideration shall not exceed HK$510,000,000.

The Acquisition constitutes a major transaction of the Company under Rule 14.06(3) of the Listing Rules. As Mr. Qu Jiguang is a connected person of the Company and also the ultimate controlling shareholder of the Vendor, the entering into of the Acquisition Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The Acquisition agreement is subject to approval of the Independent Shareholders at the extraordinary general meeting.

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 of the Listing Rules.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's annual results for the year ended 31 December 2006 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 2006 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's audited 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.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The 2006 annual report containing all the information required by the Listing Rules will be published on the Stock Exchange's website in due course.

MEMBERS OF THE BOARD

As at the date of this announcement, the Board comprises Wu Qin, Wu Zhihong, Huang Chao, Xie Yunfeng, Sun Xinglai and Wang Xian Jun as executive Directors, Liu Zhiyong as non-executive Director and Qu Jiguang, Leung Chong Shun and Chow Kwok Wai as independent non-executive Directors.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 17 May 2007 to Wednesday, 23 May 2007 (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 Shops 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 16 May 2007.

On behalf of the Board, I hereby express our genuine gratitude to our investors and employees for their support in the past.

By Order of the Board
Wu Qin
Chairman

Hong Kong, 26 April 2007