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 2007

On behalf of the board of directors, I am pleased to present the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2007.

RESULTS AND DIVIDEND PAYMENT

During the year, the sales income amounted to RMB1,105,846,000, representing an increase of 28.5% as compared to last year. Profit attributable to shareholders of the Group increased by 37.2% to approximately RMB116,007,000 as compared to the corresponding period last year. The Board proposed a final dividend of HK$0.006 per share.

BUSINESS REVIEW

A breakdown of the sales of the Group for the year ended 31 December 2007 is set out as follows:

	2007		2006		**Change**
	RMB'000	%	*RMB'000*	%	%
Antibiotics					
Lijunsha	**416,899**	**37.7**	413,338	48.0	**0.9**
Paiqi	**87,259**	**7.9**	80,996	9.4	**7.7**
Others Antibiotics Finished Products	**137,495**	**12.4**	126,188	14.7	**9.0**
Sub-total	**641,653**	**58.0**	620,522	72.1	**3.4**
Intravenous Infusion Solution	**211,087**	**19.1**	—	—	**—**
Non-antibiotics Finished Products	**201,384**	**18.2**	159,889	18.6	**26.0**
Others	**51,722**	**4.7**	80,230	9.3	**-35.5**
Total	**1,105,846**	**100.0**	860,641	100.0	**28.5**

The operation environment of the pharmaceutical industry in the PRC showed distinct improvements in 2007 as the State's policies promulgated in 2006 started to take effect, including efforts in reforming the pharmaceutical sales market, enhancement of the operation environment, increased investments in medical insurance system by the government and widened coverage by the medical insurance system. On the other hand, benefiting from the completion of acquisition of Shijiazhuang No. 4 Pharmaceutical Co., Ltd. ("Shijiazhuang No. 4 Pharma"), the overall business of the Group significantly improved. Enjoying an immediate expansion of its scale of assets and profit base, the Group shook off the past excessive dependence on antibiotics market, and commenced the business of intravenous infusion products, which demands higher quality and more advanced technological levels, forming an important cornerstone for the future development of the Group.

Stable growth of the antibiotics business: During the year, sales of antibiotics reached RMB641,653,000, representing an increase of 3.4% as compared to the corresponding period last year. Of which, our core product, Lijunsha, generated sales of RMB416,899,000, similar to that of last year. Paiqi, a third generation antibiotics, recorded sales of RMB87,259,000, representing an increase of 7.7% from last year. Other antibiotics achieved satisfactory growth, with a 9.0% growth of sales from last year to RMB137,495,000.

Intravenous infusion business attained fast growth: After becoming a part of our business profile, the intravenous infusion business of Shijiazhuang No. 4 Pharma to our business profile maintained smooth operation and successfully realized the annual profit objectives set out upon acquisition of the business. The profits after tax was RMB86,059,000 for the year ended 31 December 2007, which is 22.9% higher than the guaranteed profits of RMB70,000,000. In response to the trend of intravenous infusion packaging, the Group has substantially boosted the production capacity and volume of infusion products in PP plastic bottle and non-PVC soft bag packing during the year. The production volume of infusion products in PP plastic bottle marked an increase 67% from last year, and that of non-PVC soft bag packing recorded an even more remarkable growth of 2.3 times, making us one of the largest players among the manufacturers of infusion products in non-PVC soft bag packing in the PRC.

Rapid growth of other pharmaceuticals: Benefiting from the State's medical system reform and increased investments in the city and rural medical insurance system by the government, the general medicine products produced by the Group attained rapid growth. Sales for the year reached RMB201,384,000, representing an increase of 26.0% as compared to last year, recording double-digit growth for the second consecutive year.

OUTLOOK

1. Intravenous infusion products will become the main driving force for the Group's future growth: Given that the Group's intravenous infusion products have attained leading international standards in terms of production, technologies, management and product quality, the sales of the products was robust in the medium to large scaled hospitals in the PRC. In the coming year, the Group will continue to expand its production scale and increase the production capacity for infusion products in non-PVC soft packing and PP plastic bottle, with the objective to tap the high-end market. The Group believes that intravenous infusion products will achieve rapid growth in the coming years and become the main driving force of the Group's business.

2. Maintain the leading market position of Macrolide antibiotics: Through continuous effort in expanding the rural and city community markets, the Group strives to maintain the leading market position of Macrolide antibiotics, including the king product in the category, Lijunsha. We will also continue to expand the market share in the city market of the third generation product, Paiqi, in order to sustain the growth of the third generation product.

3. Maintain the rapid growth in other pharmaceutical products: Capitalizing the opportunities brought by the State's establishment of the new city community and rural medical insurance system, the Group will leverage on its brand advantages to reinforce penetration into these markets and thereby sustaining the continuous rapid growth in general medicine products.

4. Launch of OTC products and healthcare products: With the completion of the production line for soft capsule products and oral solution, the Group will progressively launch a series of OTC products and healthcare products in the market in the coming year. Lijungai products have made initial debut and has progressively gained popularity through advertising and other means of promotion, forming a new growth point for the Group's business.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007
(All amounts in RMB unless otherwise stated)

	Note	2007 RMB'000	2006 RMB'000
		Year ended 31 December	
Revenue	3	**1,105,846**	860,641
Cost of sales		**(544,402)**	(415,806)
Gross profit		**561,444**	444,835
Other gains — net	3	**23,636**	176
Selling and marketing costs		**(282,184)**	(223,726)
General and administrative expenses		**(146,334)**	(123,992)
Operating profit		**156,562**	97,293
Finance income	4	**3,814**	5,340
Finance costs	4	**(32,265)**	(10,232)
Profit before income tax		**128,111**	92,401
Income tax expense	5	**(12,075)**	966
Profit for the year		**116,036**	93,367
Attributable to:			
Equity holders of the Company		**116,007**	84,575
Minority interest		**29**	8,792
		116,036	93,367
Earnings per share for profit attributable to the equity holders of the Company *(expressed in RMB per share)*			
— basic	6	**0.067**	0.058
— diluted	6	**0.065**	0.058
Dividends	7	**30,694**	41,363

CONSOLIDATED BALANCE SHEET
As at 31 December 2007
(All amounts in RMB unless otherwise stated)

	Note	As at 31 December 2007 RMB'000	2006 RMB'000
ASSETS			
Non-current assets			
Land use rights		**63,704**	6,945
Property, plant and equipment		**673,824**	359,943
Intangible assets		**515,077**	6,983
Deferred income tax assets		**12,691**	8,402
Available-for-sale financial assets		**4,029**	609
		1,269,325	382,882
Current assets			
Inventories		**178,290**	85,485
Trade and bills receivable	*8*	**309,760**	215,867
Prepayments, deposits and other receivables		**50,204**	47,039
Other financial assets at fair value through profit or loss		**462**	—
Restricted cash		**40,242**	16,248
Cash and cash equivalents		**92,686**	167,387
		671,644	532,026
Total assets		**1,940,969**	914,908
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**41,276**	30,229
Reserves		**1,077,976**	472,088
		1,119,252	502,317
Minority interest		**749**	—
Total equity		**1,120,001**	502,317

	Note	As at 31 December 2007 RMB'000	2006 RMB'000
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings		**84,760**	28,131
Long-term payables		**16,526**	12,713
Convertible bonds		**141,520**	—
Deferred income tax liabilities		**39,327**	—
		282,133	40,844
Current liabilities			
Trade and bills payable	*9*	**129,158**	52,192
Advance receipts from customers		**21,880**	10,348
Accruals and other payables		**97,083**	96,649
Income tax payable		**20,943**	14,628
Dividend payable		**702**	2,582
Amount due to minority shareholder of a subsidiary		**—**	11,742
Short-term bank borrowings		**237,691**	169,188
Current portion of long-term bank borrowings		**26,687**	12,057
Current portion of long-term payables		**4,691**	2,361
		538,835	371,747
Total liabilities		**820,968**	412,591
Total equity and liabilities		**1,940,969**	914,908
Net current assets		**132,809**	160,279
Total assets less current liabilities		**1,402,134**	543,161

1. Basis of preparation

The consolidated financial statements of Lijun International Pharmaceutical (Holding) Co., Ltd (the "Company") and its subsidiaries (together the "Group") have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) 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) Standards, amendment and interpretations effective in 2007

HKFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to HKAS 1, 'Presentation of financial statements — Capital disclosures', introduces new disclosures relating to financial instruments. The main additional disclosures include certain quantitative information of the Group's exposure to credit risk, liquidity risk and market risk, as well as qualitative information of the Group's capital risk management.

HK(IFRIC) — Int 8, 'Scope of HKFRS 2', requires 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 in order to establish whether or not they fall within the scope of HKFRS 2. This standard does not have any impact on the Group's financial statements.

HK(IFRIC) — Int 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

(b) Standards, amendments and interpretations effective in 2007 but not relevant to the Group's operations

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group's operations:

HK (IFRIC) — Int 7, 'Applying the restatement approach under HKAS 29, Financial reporting in hyper-inflationary economies'; and

HK (IFRIC) — Int 9, 'Re-assessment of embedded derivatives'.

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

HKAS 1 (Revised), "Presentation of Financial Statements" (effective from 1 January 2009). HKAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs. The Group will apply HKAS 1 (Revised) from 1 January 2009. Management is currently assessing the impact of HKAS 1 (Revised) on the Group's operations.

HKAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Amended) from 1 January 2009. Management is currently assessing the impact of HKAS 23 (Amendment) on the Group's operations.

HKFRS 8, 'Operating segments' (effective from 1 January 2009). HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 January 2009. Management is currently assessing the impact of HKFRS 8 on the Group's operations.

HK (IFRIC) — Int 11, "HKFRS 2 — Group and treasury share transactions" (effective for annual period beginning on or after 1 March 2007). HK(IFRIC) — Int 11 provides guidance on whether share-based transactions involving treasury shares or involving Group entities (for example options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. The Group will apply HK (IFRIC) — Int 11 from 1 January 2008. Management believes that this interpretation should not have a significant impact on the consolidated financial statements as the Group has already assessed whether options over a parent's shares have been properly recorded in the stand-alone accounts of the parent and group companies using the principles that are consistent with HK (IFRIC) — Int 11.

HK (IFRIC) — Int 14, 'HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). HK (IFRIC) — Int 14 provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply HK (IFRIC) — Int 14 from 1 January 2008. Management is currently assessing the impact of HK (IFRIS) — Int 14 on the Group's operations.

HKAS 32 and HKAS 1 Amendments "Puttable Financial Instruments and Obligations Arising on Liquidation" (effective from 1 January 2009). The amendment requires some puttable financial instruments and some financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity. The Group will apply HKAS 32 and HKAS 1 Amendments from 1 January 2009. Management is currently assessing the impact of HKAS 32 and HKAS 1 Amendments on the Group's operations.

HKAS 27 (Revised) "Consolidated and Separate Financial Statements" (effective from annual period beginning on or after 1 July 2009). The amendment requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The Group will apply HKAS 27 (Revised) from 1 January 2010. Management is currently assessing the impact of HKAS 27 (Revised) on the Group's operations.

HKFRS 3 (Revised) "Business Combination" (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The amendment may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are 'capable of being conducted' rather than 'are conducted and managed'. It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other HKFRSs. They are income taxes, employee benefits, share-based payment and non current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The Group will apply HKFRS 3 (Revised) from 1 January 2010. Management is currently assessing the impact of HKFRS 3 (Revised) on the Group's operations.

HKFRS 2 Amendment "Share-based Payment Vesting Conditions and Cancellations" (effective from 1 January 2009). The amendment clarifies the definition of "vesting conditions" and specifies the accounting treatment of "cancellations" by the counterparty to a share-based payment arrangement. Vesting conditions are service conditions (which require a counterparty to complete a specified period of service) and performance conditions (which require a specified period of service and specified performance targets to be met) only. All "non-vesting conditions" and vesting conditions that are market conditions shall be taken into account when estimating the fair value of the equity instruments granted. All cancellations are accounted for as an acceleration of vesting and the amount that would otherwise have been recognised over the remainder of the vesting period is recognised immediately. The Group will apply HKFRS 2 Amendment from 1 January 2009. Management is currently assessing the impact of HKFRS 2 Amendment on the Group's operations.

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

The following interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the Group's operations:

HK (IFRIC) — Int 12, 'Service concession arrangements' (effective from 1 January 2008). HK (IFRIC) — Int 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. HK (IFRIC) — Int 12 is not relevant to the Group's operations because none of the Group's companies provide for public sector services.

HK (IFRIC) — Int 13, 'Customer loyalty programmes' (effective from 1 July 2008). HK (IRFIC) — Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. HK (IFRIC) — Int 13 is not relevant to the Group's operations because none of the Group's companies operate any loyalty programmes.

HK (IFRIC) — Int 14, 'HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). HK (IFRIC) — Int 14 provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply HK (IFRIC) — Int 14 from 1 January 2008, but it is not expected to have any impact on the Group's accounts.

2. Segment information

The Group primarily operates in one business segment — manufacturing and sale of pharmaceutical products. It operates principally in one geographical segment — the PRC. Substantially all of the Group's assets were located in the PRC. Accordingly, no analysis of segment information is presented.

3. Revenue and other gains — Group

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

	Year ended 31 December	
	2007	2006
	RMB'000	*RMB'000*
Revenue:		
— Sales of pharmaceutical products	**1,101,266**	857,456
— Processing income	**2,263**	2,312
— Sales of raw materials and by products	**822**	873
— Rental income	**1,495**	—
	1,105,846	860,641
Other gains — net:		
— Investment income	**16,701**	176
— Subsidy income	**510**	—
— Others	**6,425**	—
	23,636	176
	1,129,482	860,817

4. Finance income and costs — Group

	Year ended 31 December	
	2007	2006
	RMB'000	*RMB'000*
Financial income		
— Interest income on bank deposit	**3,757**	5,340
— Foreign exchange gain	**57**	—
	3,814	5,340
Financial costs		
— Interest expense on bank borrowings wholly repayable within five years	**18,629**	10,232
— Interest expenses on discount of notes receivables	**5,652**	—
— Interest expenses for convertible bonds	**7,984**	—
	32,265	10,232

5. 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 during the year.

In May 2005, the PRC Enterprise Income Tax ("EIT") rate of Xi'an Lijun Pharmaceutical Co., Ltd. has been approved to be 24%, which was effective from 1 January 2005. Being incorporated as foreign investment enterprise in the PRC, Xi'an Lijun Pharmaceutical Co., Ltd. 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 the PRC.

The PRC EIT rate of Shijiazhuang No. 4 Pharmaceutical Co., Ltd. has been approved to be 24%, which was effective from 1 January 2005. Being incorporated as foreign investment enterprise in the PRC, Shijiazhuang No. 4 Pharmaceutical Co., Ltd. has obtained approvals from the relevant tax authorities in Shijiazhuang, 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 the PRC. Shijiazhuang No. 4 Pharmaceutical Co., Ltd. began its tax holiday since 2005.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"), which will be effective from 1 January 2008. According to the new CIT Law, the PRC income tax for both domestic and foreign investment enterprises will be unified at 25% effective from 1 January 2008. There will be a transition period for enterprises that currently receive preferential tax treatments granted by relevant tax authorities. Enterprises that are subject to a PRC income tax rate lower than 25% may continue to enjoy the lower PRC income tax rate and gradually transfer to the new PRC income tax rate within five years after the effective date of the new CIT Law. Enterprises that are currently entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires.

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

	Year ended 31 December	
	2007	2006
	RMB'000	*RMB'000*
Current taxation — EIT	**(15,947)**	—
Deferred taxation	**3,872**	966
	(12,075)	966

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	
	2007	2006
	RMB'000	*RMB'000*
Profit before income tax	**128,111**	92,401
Weighted average EIT rates in the PRC	**24%**	24%
Tax calculated at the weighted average EIT rate	**(30,747)**	(22,176)
Tax exemption	**19,576**	21,755
Effect of change in the estimate of the reversal period of temporary differences in which different tax rates are applied	**350**	1,387
Expenses not deductible for tax purposes	**(1,254)**	—
Tax charge	**(12,075)**	966

6. Earnings per share

(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.

	Year ended 31 December	
	2007	2006
	RMB'000	*RMB'000*
Profit attributable to equity holders of the Company	**116,007**	84,575
Weighted average number of ordinary shares in issue (thousands)	**1,734,867**	290,500
Adjustments for the subdivision of share capital in 2007 for the purpose of comparison (thousands)	**—**	1,162,000
Weighted average number of ordinary shares in issue after adjustment (thousands)	**1,734,867**	1,452,500
Basic earnings per share (RMB per share)	**0.067**	0.058

(b) Diluted

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only one category of dilutive potential ordinary shares: convertible debt. The convertible debt is assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect.

	Year ended 31 December	
	2007	2006
	RMB'000	*RMB'000*
Profit attributable to equity holders of the Company	**116,007**	84,575
Interest expenses on convertible debt (net of tax)	**7,984**	—
Profit used to determine diluted earnings per share	**123,991**	84,575
Weighted average number of ordinary shares in issue (thousands)	**1,734,867**	290,500
Adjustments for conversion of convertible debt (thousands)	**178,875**	—
Adjustments for the subdivision of share capital in 2007 for the purpose of comparison (thousands)	**—**	1,162,000
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,913,742**	1,452,500
Diluted earnings per share (RMB per share)	**0.065**	0.058

7. Dividends

An interim dividend of HK$0.01 (on a post-subdivision basis) per share, amounting to a total dividend of RMB 19,306,000 was approved at the meeting of the board of directors on 10 September 2007.

The directors recommend the payment of a final dividend of HK$0.006 (on a post-subdivision basis) per ordinary share, totaling HK$12,162,000. Such dividend is to be approved by the shareholders at the upcoming Annual General Meeting. These financial statements do not reflect this dividend payable.

	Year ended 31 December	
	2007	2006
	RMB'000	*RMB'000*
Approved interim dividend of HK$0.01 (on a post-subdivision basis) (2006: HK$0.07 (on a pre-subdivision basis)) per ordinary share	**19,306**	20,933
Proposed final dividend of HK$0.006 (on a post-subdivision basis) (2006: HK$0.07 (on a pre-subdivision basis)) per ordinary share	**11,388**	20,430
	30,694	41,363

8. Trade and bills receivables

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	
	2007	2006
	RMB'000	*RMB'000*
Within 3 months	**248,397**	182,551
4 to 6 months	**44,203**	24,027
7 to 12 months	**21,429**	14,185
1 to 2 years	**3,826**	2,265
2 to 3 years	**590**	683
More than 3 years	**1,378**	3,843
	319,823	227,554
Less: Provision for impairment of receivables	**(10,063)**	(11,687)
	309,760	215,867

9. Trade and bills payable

	As at 31 December	
	2007	2006
	RMB'000	*RMB'000*
Trade payable	**116,158**	52,192
Bills payable	**13,000**	—
	129,158	52,192

At 31 December 2007, the aging analysis of the trade and bills payables were as follows:

	As at 31 December	
	2007	2006
	RMB'000	*RMB'000*
Within 3 months	**92,087**	36,186
4 to 6 months	**19,919**	1,296
7 to 12 months	**4,746**	657
1 to 3 years	**10,630**	12,272
More than 3 years	**1,776**	1,781
	129,158	52,192

10. Expense by nature — Group

	Year ended 31 December	
	2007	2006
	RMB'000	*RMB'000*
Raw materials and consumables used	**419,946**	307,306
Sales commission	**126,681**	105,865
Staff costs including directors' emoluments		
— wages and salaries	**103,266**	67,307
— pension costs	**18,498**	12,036
— welfare expenses	**23,949**	17,463
Utility expenses	**60,968**	54,032
Advertising expenses	**56,528**	52,999
Depreciation of property, plant and equipment	**46,066**	30,132
Research and development costs	**2,191**	7,833
Operating leases — rental expenses in respect of land use right in the PRC	**5,568**	5,461
Provision for impairment of receivables	**1,593**	3,658
Auditors' remuneration	**3,166**	2,300
Amortisation of intangible assets (charged to general and administrative expenses)	**2,236**	384
Amortisation of land use rights (charged to general and administrative expenses)	**1,072**	69
Loss on disposal of property, plant and equipment	**1,183**	61
Reversal of inventory write-down	**(80)**	(209)
Changes in inventories of finished goods and work in progress	**(20,030)**	(8,032)
Others	**120,119**	104,859
Total cost of sales, selling and marketing costs and general and administrative expenses	**972,920**	763,524

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 2007, the cash and cash equivalents aggregated to RMB92,686,000 (2006: RMB167,387,000), comprising RMB12,827,000 (2006: RMB46,469,000) of cash and cash equivalents denominated in Hong Kong dollars, RMB78,646,000 (2006: RMB116,068,000) in RMB and RMB1,213,000 (2006: RMB4,850,000) in other currencies.

As at 31 December 2007, the Group has restricted deposits amounting to RMB40,242,000. (2006: RMB16,248,000) as guarantee of the bank borrowings, letter of credits and bank acceptances.

The carrying amounts of the borrowings (including convertible bonds) amounting to RMB490,658,000 (2006: RMB209,376,000) as at 31 December 2007, comprising RMB124,538,000 (2006: RMB80,376,000) of borrowings denominated in Hong Kong dollars and RMB366,120,000 (2006: RMB129,000,000) in RMB. The increase was mainly due to issue of convertible bond during the year and the consolidation of bank borrowings from Shijiazhuang No. 4 Pharma into the Group's consolidated financial statements after the acquisition.

Gearing ratio (defined as total liabilities divided by total assets) decreased from 45.1% as at 31 December 2006 to 42.3% as at 31 December 2007.

Current ratio (defined as current assets divided by current liabilities) decreased from 1.43 as at 31 December 2006 to 1.25 as at 31 December 2007.

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 2007, the net book amount of the Group's land use right of RMB54,242,000 (2006: RMB4,000,000), the net book amount of the Group's buildings and machineries of RMB62,764,000 and RMB128,457,000 (2006: nil) and restricted deposits of RMB40,242,000 (2006: RMB16,248,000) were pledged as collateral for the Group's bank borrowings, letter of credits and bank acceptances.

CONTINGENT LIABILITIES

As at 31 December 2007, the Group did not have any significant contingent liabilities.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its Shares during the year.

Save as the allotment and issuance of 110,000,000 shares of the Company with par value of HK$0.10 (which became 550,000,000 shares of the Company with par value of HK$0.02 after the share-subdivision) in relation to acquisition of New Orient Investments Ltd. and allotment and issuance in total 17,152,363 shares of the Company due to conversion of convertible bond issued on 30 May 2007, 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 2007.

ZERO COUPON CONVERTIBLE BONDS DUE 2010 ("BONDS")

On 16 May 2007, the Company entered into a subscription agreement with ABN ARMO Bank N.V. ("ABN"), pursuant to which ABN agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Bonds with an aggregate principal amount of RMB160 million. Based on an initial conversion price of HK$4.15 ("Conversion Price") and assuming full conversion of the Bonds at the initial conversion price with a fixed exchange rate of HK$1 = RMB0.98339, the Bonds will be convertible into 39,205,419 shares (subject to adjustment) of the Company with par value of HK$0.10 each ("Shares") at that time. The Shares to be issued upon conversion of the Bonds will rank pari passu in all respects with the Shares then in issue on the relevant conversion date.

The net proceeds from the issue of Bonds amounted to approximately HK$160,000,000, of which approximately HK$121,000,000 were used for partial payment of the consideration of the acquisition of New Orient and the balance were used for general working capital of the Group.

On 28 August 2007, shareholders of the Company had approved that each share of the Company with par value of HK$0.1 be subdivided into 5 shares with par value of HK$0.02 with effect from 29 August 2007, Conversion Price of the Bonds was adjusted to HK$0.83 following the share subdivision.

Shareholders may refer to the announcement of the Company dated 17 May 2007, 18 May 2007 and 28 August 2007 for the details of the Bonds. Completion of the subscription agreement took place on 30 May 2007. As at 31 December 2007, 17,152,363 shares of par value of HK$0.02 were issued in relation to conversion of Bonds. As at 31 December 2007, the total principal amount of Bonds outstanding was RMB146,000,000, convertible into 178,874,723 shares, representing approximately 8.86% of the issued share capital of the Company and approximately 8.14% of the enlarged issued share capital of the Company.

ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL AND THE SHAREHOLDER'S LOAN OF NEW ORIENT INVESTMENTS LIMITED ("ACQUISITION OF NEW ORIENT")

On 25 March 2007, the Company entered into an acquisition agreement with CMP Group Limited ("CMP") as vendor and China Pharmaceutical Company Limited ("CPCL") as guarantor of the vendor, pursuant to which the Company had agreed to purchase and CMP had agreed to sell the entire interests in, and a shareholder loan of, its wholly owned subsidiary New Orient Investments Limited ("New Orient").

The Acquisition of New Orient constitutes a major transaction of the Company under Rules 14.06(3) of the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). As Mr. Qu Jiguang is an independent non-executive Director and also the ultimate controlling shareholder of CMP, the entering into of the acquisition agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The acquisition agreement is therefore subject to approval of the independent shareholders at an extraordinary general meeting.

The Acquisition of New Orient was approved by independent shareholders at an extraordinary general meeting held on 26 June 2007 and was completed on 29 June 2007. Total consideration of the acquisition was satisfied by the Company in the following manner:

(i) The allotment and issued of 110,000,000 shares of the Company with par value of HK$0.10 ("Consideration Shares") to CPCL, which held 55.14% interest of CMP.

(ii) Cashier orders amounted HK$101,852,000 were paid to CPCL.

(iii) Cashier orders amounted HK$89,148,000 were paid to Bowley Limited, which held 17.48% interest of CMP.

CPCL has guaranteed to the Company that the audited consolidated net profit of the New Orient together with its subsidiaries ("New Orient Group") for the financial year ending 31 December 2007 will not be less than RMB70,000,000 or CPCL will compensate the shortfall on a dollar-for-dollar basis. CPCL has placed 10,000,000 shares among the 110,000,000 Consideration Shares with the Company as security for the profit guarantee in accordance with the acquisition agreement.

CPCL had fulfilled its obligations under the abovementioned profit guarantee as the audited consolidated net profit of the New Orient Group for the financial year ending 31 December 2007 was RMB86,059,000.

Shareholders may refer to the announcement of the Company dated 30 March 2007 and circular dated 10 June 2007 for the details of the acquisition.

As at the date of completion of the acquisition, total consideration of the acquisition recognised in the Group's financial statement was approximately RMB707,375,000.

EVENTS AFTER THE BALANCE SHEET DATE

On 21 April 2008, the Board of Directors of Xi'an Lijun Pharmaceutical Co, Ltd. approved the announcement to cease the policy of early retirement allowance plan. These would become effective since 1 May 2008.

SHARE SUBDIVISION OF SHARE CAPITAL

Pursuant to the resolutions passed at the extraordinary general meeting held on 28 August 2007, every one existing issued and unissued shares of HK$0.10 each in the capital of the Company was subdivided into five shares of HK$0.02 each with effect from 29 August 2007 and the subdivided shares should rank pari passu in all respects with each other and had the same rights and privileges and were subject to the restrictions contained in the Articles of Association of the Company.

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 31 December 2007.

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 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 2007.

DIVIDEND

An interim dividend of HK$0.01 per share was declared on 10 September 2007 and paid on 2 November 2007.

The Directors recommend the payment of a final dividend of HK$0.006 per share. The final dividend is subject to approval by the shareholders at the annual general meeting to be held on 30 May 2008 and payable on 26 June 2008 if it is approved.

CORPORATE GOVERNANCE

The Company complied with the Code on Corporate Governance Practices 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 2007 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 2007 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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 27 May 2008 (Tuesday) to 30 May 2008 (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 Shops 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 26 May 2008 (Monday).

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 30 May 2008. A notice of annual general meeting will be issued and disseminated to shareholders 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 2007 annual report containing all the information required by the Listing Rules will be published on the Stock Exchange's website (www.hkex.com.hk) and will be depatched to the shareholders in due course.

By Order of the Board
Wu Qin
Chairman

Hong Kong, 25 April 2008

As at the date of this announcement, the Board comprises Mr. Wu Qin, Mr. Qu Jiguang, Mr. Wu Zhihong, Mr. Huang Chao, Mr. Xie Yunfeng, Ms. Sun Xinglai, Mr. Wang Xianjun, Mr. Duan Wei, Mr. Wang Zhizhong, Ms. Zhang Guifu 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.