

CHAIRMAN'S STATEMENT

On behalf of the board ("Board") of directors ("Directors") of Lijun International Pharmaceutical (Holding) Co., Ltd. ("Company"), I am pleased to present the first results report of the Company.

RESULTS AND DIVIDEND PAYMENTS

In 2005, despite fierce competition in the pharmaceutical market and pressure from the State's pharmaceutical policies, the Company recorded satisfactory results. The annual sales income amounted to RMB884,709,000, representing a mild decrease of 2.0% as compared to the same period last year. Profit after taxation was RMB93,311,000, representing an increase of 5.3% as compared to the same period last year.

The Board proposed a final dividend of HK\$0.16 for the year 2005.

BUSINESS REVIEW

For the year 2005, the national antibiotics market remained sluggish, under the impact of the "Notice on Strengthening Controls on Sale of Antibacterial Agents in Retail Pharmacy Stores" (關於加強零售藥店抗菌藥物銷售監管合理用藥的通知) ("No. 289 Document") issued by the State Food and Drug Administration ("SFDA") which provides that antibiotics can only be sold by retail drug stores with the prescription of physicians, in addition to the order issued by the National Development and Reform Commission to further reduce the prices of antibiotics. The core product of the Company, Lijunsha (利君沙), and other antibiotic products experienced immense challenge in the market. However, the Company timely adjusted its sales strategies and adopted a number of measures for stabilizing its sales to maintain a respectable performance. Despite a diminished market, the core product, Lijunsha (利君沙), managed to record a sales of RMB422,341,000 and successfully repositioned itself and put the decreasing sales to a halt. As a result, it achieved a higher sales income in the second half of the year than the first, forming a sound basis for its market sales in the coming year. Key products, Paqi (派奇) and Limaixian (利邁先), sustained a high rate of growth, with an increase in sales income of 23.3% and 27% as compared to those of last year respectively. Dobesilate (多貝斯) achieved a sales income of RMB29,934,000, representing an increase of 46.1% as compared to that of last year. The sales of Cephalosporins (頭孢類) remained level, while sales of other finished medicines and bulk pharmaceuticals for foreign trade reflected a mild steady growth. The Company has further reduced its reliance on the sales of Lijunsha (利君沙) with a diversified product mix.

The Company has experienced a decrease in production cost. Despite the increase in raw materials prices and energy cost, the Company has effectively reduced its production cost as compared to that of last year by technical renovations, reinforced internal management for its production system and other measures.

The research for new products has reaped tremendous results. In the year 2005, the Company has obtained production permits for 27 new products and has completed the registration for non-prescriptive medicine in respect of Dobesilate (多貝斯) and 6 Chinese medicinal products, thus enriching its product mix for non-prescriptive medicines. The Company has also obtained 3 State Utility Patents. With continuous fruitful development of new products, the Company has put the industrialized production of new products in its full gear. Up to now, 13 new products have been successfully put into industrialized production and started to be launched onto the market, including Azithromycin Dispersible Tablets (阿奇霉素分散片), Potassium Dehydroandrographolide Succinate for Injection (穿琥寧凍乾粉針) and OTC Dobesilate (多貝斯). In the coming years, new products put into industrialized production will reach a peak in terms of both quantity and rate.

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OUTLOOK

Antibiotics products will remain the focal sale product of the Company in 2006. Efforts to adjust to the markets of Lijunsha (利君沙) and other products and to establish first-tier and second-tier agent networks throughout the People's Republic of China ("PRC") will continue, and these will be paralleled by moves to increase sales in rural markets and markets in small to medium cities. With the State's investment into rural medical systems and the emergence of new models of cooperative medical services in rural areas, there is immense growth potential in the rural markets. Meanwhile, in medium to large cities, the Company will prioritise the promotion of Paiqi (派奇), Limaixian (利邁先) and Cephalosporins (頭孢類) products. It is the Company's objective to maintain the Company's leading position in Macrolide antibiotics (大環內脂抗生素) in the PRC.

In the meantime, the Company will devote to the development of non-antibiotics medicines and non-prescriptive products to continue enhancing its product mix and reinforce its efforts to develop value-added end products. In particular, the market of OTC products in the PRC has seen swift growth at double-digit rate, reflecting the potential in this area. The Company will focus on developing and building up the market of OTC Dobesilate (多貝斯) and other products this year to facilitate them becoming one of the focal products of the Company.

In the year 2006, the Company is planning to start building one production line for modern oral solution, one for modern soft capsules and expanding the production line for lyophilized powder for injection. These three production lines will mainly be used for manufacturing new products, including several new products with the patents owned by the Company. The order for the equipments for the new production lines has already been placed, and it is estimated that the two production lines for modern oral solution and modern soft capsules will be completed by the end of the year. By then, a number of the Company's new products will be launched onto the market to further enrich its product offer.

In summary, we believe that the hardest time is already a history for us, and look forward to the regaining of momentum in terms of our sales. The development of new products will also reap better results.

Every member of the Company will unite their efforts and strive for satisfactory returns for the shareholders.

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

Wu Qin
Chairman

Hong Kong, 20 March 2006