

CHAIRMAN'S STATEMENT

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.

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 overall 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.

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The Company recorded satisfactory results in terms of acquisition and merger. In June 2006, the Company successfully acquired 20% equity interest 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.

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, 26 April 2007