



吉林省輝南長龍生化藥業股份有限公司

Jilin Province Huinan Changlong Bio-pharmacy Company Limited

(a joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 8049)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013

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This announcement, for which the directors of Jilin Province Huinan Changlong Bio-pharmacy Company Limited (the "Directors") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") for the purpose of giving information with regard to Jilin Province Huinan Changlong Bio-pharmacy Company Limited and its subsidiary ("the Group"). The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

UNAUDITED INTERIM RESULTS

The directors of Jilin Province Huinan Changlong Bio-pharmacy Company Limited ("the Company") are pleased to announce the unaudited consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months and three months ended 30 June 2013 together with the comparative figures for the corresponding periods in 2012 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months and three months ended 30 June 2013 and 30 June 2012

		Six months ended 30 June		Three months ended 30 June	
		2013	2012	2013	2012
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	3	213,266	140,595	114,257	72,561
Cost of sales		(39,807)	(22,693)	(19,602)	(12,427)
Gross profit		173,459	117,902	94,655	60,134
Other revenue	3	12,065	7,788	2,237	1,386
Distribution and selling costs		(125,903)	(78,037)	(54,182)	(29,157)
Administrative expenses		(8,414)	(8,867)	(4,087)	(4,099)
Profit from operations	5	51,207	38,786	38,623	28,264
Finance costs		(197)	(150)	(104)	(150)
Profit before taxation		51,010	38,636	38,519	28,114
Taxation	6	(7,652)	(5,795)	(5,777)	(4,217)
Profit attributable to equity holders of the Company		43,358	32,841	32,742	23,897
Earnings per share – Basic	7	7.73 cents	5.86 cents	5.84 cents	4.26 cents
Dividends	8	–	7,003	–	7,003

Note: Calculation of the earnings per share in 2012 and 2013 was based on 560,250,000 shares and 560,250,000 shares respectively.

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2013 and 31 December 2012

	Note	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
Assets and liabilities			
Non-current assets			
Bearer biological assets	9	2,814	2,850
Property, plant and equipment	10	104,216	107,462
Prepaid lease payments	11	17,789	17,789
Construction in progress	12	100,941	66,777
Intangible assets	13	14,149	15,855
Total non-current assets		239,909	210,733
Current assets			
Inventories	14	30,007	35,342
Trade receivables	15	147,303	106,209
Other receivables, deposits and prepayments		92,005	54,209
Prepaid lease payments	11	453	453
Loans receivables		39,732	39,732
Available-for-sale financial assets		15,500	–
Cash and cash equivalents		79,157	89,374
Total current assets		404,157	325,319
Current liabilities			
Trade payables	16	11,528	7,953
Other payables, deposits received and accruals		143,919	83,589
Deferred income		313	313
Income tax payable		5,474	9,933
Other tax payables		12,305	11,095
Bank Borrowings		6,000	6,000
Loans from government authority		–	666
Dividend payable		2,337	2,337
Total current liabilities		181,876	121,886
Net current assets		222,281	203,433
Total assets less current liabilities		462,190	414,166
Non-current liabilities			
Loan from government authority		9,450	4,784
Deferred income		15,063	15,063
Deferred tax liabilities		61	61
		24,574	19,908
Net assets		437,616	394,258
Equity:			
Share capital	17	56,025	56,025
Reserves		381,591	338,233
Total equity		437,616	394,258

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30 June 2013 and 30 June 2012

	For the six months ended	
	30 June 2013	30 June 2012
	RMB'000	RMB'000
Net cash inflow from operating activities	9,283	25,600
Net cash outflow from investing activities	(15,500)	(9,261)
Net cash outflow from financing activities	(4,000)	—
(Decrease)/Increase in cash and cash equivalents	(10,217)	16,339
Cash and cash equivalents at beginning of the period	89,374	70,059
Cash and cash equivalents at end of the period	79,157	86,398
Analysis of balances of cash and cash equivalents		
Cash and bank balances	79,157	86,398

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2013 and 30 June 2012

	PRC statutory funds					
	Share capital	Share premium	Exchange reserve	Statutory surplus reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012 (Audited)	56,025	51,098	–	33,242	202,142	342,507
Net profit for the six months ended 30 June 2012 (Unaudited)	–	–	–	–	32,841	32,841
At 30 June 2012 (Unaudited)	56,025	51,098	–	33,242	234,983	375,348
Net profit for the six months ended 31 December 2012 (Unaudited)	–	–	–	–	25,913	25,913
Exchange differences arising on translation or overseas operations recognised directly in equity	–	–	–	–	–	–
Disposal of a subsidiary	–	–	–	–	–	–
Appropriation to statutory surplus reserve	–	–	–	–	–	–
Special Dividend	–	–	–	–	(7,003)	(7,003)
Balance as at 31 December 2012 (Audited)	56,025	51,098	–	33,242	253,893	394,258
Net profit for the six months ended 30 June 2013 (Unaudited)	–	–	–	–	43,358	43,358
At 30 June 2013 (Unaudited)	56,025	51,098	–	33,242	297,251	437,616

NOTES TO CONDENSED INTERIM ACCOUNTS:

1. ORGANISATION AND OPERATIONS

The Company was established as a state-owned enterprise in the People's Republic of China (the "PRC") in 1989. On 29 December 1995, under the relevant provisions of the Company Law of the PRC, the Company was re-organized from a state-owned enterprise to a limited liability company. On 16 August 1996, with the approval of the Economic Restructuring Commission of Jilin Province, the Company was further converted into a joint stock limited company. On 20 April 1999, the Company made a bonus issue from capitalisation of retained profits at the proportion of one bonus share for every two existing shares. The Company's H shares were listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited on 24 May 2001.

The Group is principally engaged in the manufacture and distribution of biochemical medicines in the PRC under the brandnames of Changlong and Shendi.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and interpretations issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of financial instruments which have been measured at fair value.

The accounting policies adopted in preparing the unaudited condensed consolidated financial statements for the period under review are consistent with those followed in the Company's 2012 annual report.

The condensed consolidated financial statements for the six months ended 30 June 2013 are unaudited and have been reviewed by the audit committee of the Company.

3. TURNOVER AND REVENUE

The Group's turnover comprises the invoiced value of merchandise sold net of value—added tax and after allowances for returns and discounts.

	Six months ended 30 June		Three months ended 30 June	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Turnover				
Sales of medicine	213,266	140,595	114,257	72,561
Other revenue				
Other income	12,065	7,788	2,237	1,386
Total revenue for the year	225,331	148,383	116,494	73,947

4. SEGMENT INFORMATION

The Group has only one business segment which is in the manufacture and distribution of biochemical medicines in the PRC. For the six months ended 30 June 2013, turnover of the Group is generated entirely from sales in the PRC and all identifiable assets of the Group are located in PRC. Accordingly, no business or geographical segmental analysis is prepared for the period.

5. PROFIT FROM OPERATIONS

The Group's profit from operations is arrived at after charging:

	Six months ended 30 June		Three months ended 30 June	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation	3,222	3,015	1,611	1,508
Amortisation of purchased know-how and prescription	1,430	1,821	715	910
Amortization of prepaid lease payments	—	125	—	62

6. TAXATION

Taxation in the unaudited condensed consolidated income statement represents:

	Six months ended		Three months ended	
	30 June		30 June	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
PRC income tax	<u>7,652</u>	<u>5,795</u>	<u>5,777</u>	<u>4,217</u>

The PRC income tax is computed according to the relevant laws and regulations in the PRC. The applicable income tax rate was 15% (2012: 15%).

The Group did not have any significant unprovided deferred taxation for the six months and three months ended 30 June 2013 (2012: Nil).

7. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months and three months ended 30 June 2013 is based on the unaudited profit attributable to shareholders of approximately RMB43,358,000 and RMB32,742,000 respectively (2012: RMB32,841,000 and RMB23,897,000) and on the weighted average of 560,250,000 and 560,250,000 (2012: 560,250,000 and 560,250,000) shares in issue during the two period ended 30 June 2013 respectively.

There is no diluted earnings per share because there were no dilutive potential shares in existence during the relevant periods.

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 2013 (2012: Nil).

9. BEARER BIOLOGICAL ASSETS

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
Ginseng	2,281	2,317
Vineyard	533	533
	<u>2,814</u>	<u>2,850</u>

10. PROPERTY, PLANT AND EQUIPMENT

The movements of property, plant and equipment of the Group were:

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
Net book value, beginning of period/year	107,462	82,728
Transferred from construction in progress	–	29,862
Additions & Disposals	(24)	(6,147)
Depreciation	(3,222)	1,019
	<u>104,216</u>	<u>107,462</u>
Net book value, end of period/year	<u>104,216</u>	<u>107,462</u>

11. PREPAID LEASE PAYMENTS

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
Net book value, beginning of period/year	18,242	2,223
Additions	–	16,254
Amortisation	–	(235)
Net book value, end of period/year	18,242	18,242
Net book value at end of period/year	18,242	18,242
Portion classified as current assets	(453)	(453)
Non-current assets	17,789	17,789

The Group's medium-term land use rights are located in the PRC.

12. CONSTRUCTION IN PROGRESS

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
Net book value, beginning of period/year	66,777	32,712
Transfer to property, plant and equipment	–	(29,862)
Additions	34,164	69,305
Disposals	–	(68)
Government subsidy	–	(5,310)
Net book value, end of period/year	100,941	66,777

13. INTANGIBLE ASSETS

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
Cost		
At 1 January	71,985	71,985
Additions	—	—
At 30 June 2013/31 December 2012	71,985	71,985
Accumulated amortization:		
At 1 January	56,130	53,271
Amortisation for the period/year	1,706	2,859
At 30 June 2013/31 December 2012	57,836	56,130
Net book value:		
At 30 June 2013/31 December 2012	14,149	15,855

Purchased know-how and prescription were all acquired by cash from independent third parties.

14. INVENTORIES

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
Inventories comprise:		
At cost:		
Raw materials	8,489	10,529
Work in progress	15,681	15,642
Finished goods	7,796	11,130
	<u>31,966</u>	<u>37,301</u>
Less: provision for obsolete and slow-moving inventories	<u>(1,959)</u>	<u>(1,959)</u>
	<u><u>30,007</u></u>	<u><u>35,342</u></u>

As at 30 June 2013, inventories amounting to approximately RMB30,007,000 (2012: RMB37,563,000) were carried at net realizable value.

15. TRADE RECEIVABLES

Trade receivables are stated at cost less provision for doubtful debts. Provisions for doubtful debts are made based upon the directors' knowledge of the customers, the creditworthiness and settlement history, and the aging of the outstanding trade receivables.

The following is an aged analysis of trade receivables, net of provision for impairment for trade receivables, at the balance sheet dates:

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
Current	47,575	34,303
31–90 days	34,642	24,978
91–180 days	28,625	20,640
More than 180 days	36,461	26,288
	147,303	106,209

The directors consider the carrying amount of trade receivables approximates their fair value.

16. TRADE PAYABLES

The following is an aged analysis of trade payables at the balance sheet dates:

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
Current	3,575	2,971
31–90 days	2,857	679
More than 90 days	5,096	4,303
	11,528	7,953

Trade payables principally comprise amounts outstanding for trade purchases. The directors consider that the carrying amount of trade payables approximates their fair value.

17. SHARE CAPITAL

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
Registered, issued and fully paid:		
387,750,000 domestic shares of RMB0.10 each	38,775	38,775
172,500,000 H shares of RMB0.10 each	17,250	17,250
	<u>56,025</u>	<u>56,025</u>

18. CAPITAL COMMITMENTS

As at 30 June 2013, the Group had capital commitments contracted for but not provided for in respect of the following:

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
Acquisition of intangible assets	2,940	2,940
Acquisition of construction in progress	9,330	9,330
	<u>12,270</u>	<u>12,270</u>

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

For the six months ended 30 June 2013, the Group recorded a turnover of approximately RMB213,266,000, representing an increase of 51.7% from RMB140,595,000 for the corresponding period in 2012. Profit attributable to shareholders for the six months ended 30 June 2013 was RMB10,517,000, representing an increase of RMB43,358,000 from RMB32,841,000 for the corresponding period in 2012.

The gross profit margin for the six months ended 30 June 2013 was approximately 81.3% representing a 2.5% decrease as compared to that of 83.8% for the period ended 30 June 2012. The Board believes that there were no significant fluctuation for the production and material cost.

The selling expense as a percentage of turnover was 59% in 2013. This represented an increase from 55% when compared to the same period last year. General and administrative expenses decreased from RMB8,867,000 for the six months ended 30 June 2012 to RMB8,414,000 for the same period in 2013.

BUSINESS REVIEW

Production Facilities

During the year, the new production line for solid dosage obtained the Good Manufacturing Practice and started production. In the meantime, four new production lines for Small volume Parenteral Solution (小容量注射劑), subpackaging of sterile powder for injection (凍乾粉針分裝), subpackaging of Tou Bao Sterile Bulk (頭孢無菌原料藥) were established in the Huinan economic development zone. This has further expanded our production capacity.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has maintained a sound financial position during this period. For the six months ended 30 June 2013, the Group's primary source of funds was cash from the operating activities. As at 30 June 2013, the Group had cash and bank balances and consolidated net asset value of approximately RMB79,157,000 and RMB437,616,000 respectively.

For the six months ended 30 June 2013, the Group mainly generated revenue and incurred costs in Hong Kong dollars and Renminbi. The Directors consider the impact on foreign exchange exposure of the Group is minimal.

As at 30 June 2013, the Group had no material contingent liabilities.

GEARING RATIO

As at 30 June 2013, the Group had short-term bank borrowings of RMB6,000,000 (2012: RMB7,326,000) and a gearing ratio of approximately 1.4%. The calculation of the gearing ratio was based on the short-term bank loans and shareholders' equity as at 30 June 2013.

CAPITAL COMMITMENTS

Details of the capital commitments of the Company as at 30 June 2013 are set out in note 18 to the financial statement.

CAPITAL STRUCTURE

During the six months ended 30 June 2013, there was no change in the Company's share capital. As at 30 June 2013, the Group's operations were financed mainly by shareholders' equity. The Group will continue to adopt its treasury policy of placing the Group's cash and cash equivalents in interest bearing deposits, and to fund the operation with internal resources.

FUTURE PROSPECTS

There has been an increase in the Group's turnover and profit attributable to equity holders of the Company as compared with the same period last year. In addition, the sales of Hai Kun Shen Xi capsule has reached approximately RMB145,000,000 for the six months ended 30 June 2013 as compared to approximately RMB92,183,000 for the six month ended 30 June 2012.

The Directors would like to take this opportunity to express their gratitude to the management and staff for their dedication and contribution to the Group, and to thank our fellow business partners and equity holders for their continuing support. The Directors will endeavor to explore every potential opportunity for business growth, creating a promising future and successful results in the years ahead.

DIRECTORS' INTERESTS IN SHARES

At 30 June 2013, the interests and short positions of the Directors, supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the minimum standards of dealing by directors as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long positions in shares

Director	Type of Interests	Capacity	Number of Domestic Shares	Percentage of Domestic Shares	Percentage of total registered Share Capital
Mr. Zhang Hong	Personal	Beneficial owner	101,937,000	26.29	18.19
Mr. Zhang Xiao Guang	Personal	Beneficial owner	42,315,000	10.91	7.55
Mr. Wu Guo Wen	Personal	Beneficial owner	900,000	0.232	0.161
Mr. Chen Qi Ming	Personal	Beneficial owner	300,000	0.077	0.054

Save as disclosed above, as at 30 June 2013, none of the Directors, supervisors and chief executives of the Company has any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the headings "Directors' interests in shares" above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director and chief executives or their respective spouses or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the directors, supervisors and chief executives to acquire such rights in any other body corporate.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 June 2013, the following persons (other than the Directors, supervisors and chief executives of the Company) had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Long positions in shares

Name of shareholder	Capacity/Nature of Interest	Number of Domestic Shares	Percentage of Domestic Shares	Percentage of total registered Share Capital
Huinan County SAB (Note)	Beneficial owner	81,975,000	21.14	14.63

Note: Apart from the equity interest in the Company, Huinan County SAB does not have any direct or indirect interest in the Company, including representation in the Board of Directors.

Save as disclosed above, as at 30 June 2013, the Directors were not aware of any other person (other than the Directors, supervisors and chief executives of the Company) who had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

COMPETING INTEREST

During the period under review, none of the Directors, the management shareholders, the significant shareholders or the substantial shareholders (as defined in the GEM Listing Rules) of the Company had any interest in a business, which competes or may compete with the business of the Group.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2013, the Company has adopted a code of conduct regarding securities transactions by directors on terms no less than the required standard of dealings as set out in rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors.

BOARD PRACTICES AND PROCEDURES

During the period under review, the Company had not fully complied with the board practices and procedures as set out in Rules 5.34 of the GEM Listing Rules in respect of the Code on Corporate Governance Practices (the "CCGP"). The main deviations from the code provision set out in the CCGP were as follows:

Under the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Zhang Hong assumes the role of both the chairman and the chief executive officer of the Company. The Board is of the view that this has not compromised accountability and independent decision making for the following reasons:

- the Audit Committee composes exclusively of independent non-executive directors;
- the independent directors have free and direct access to the Company's external auditors and independent professional advice when considered necessary.

Mr. Zhang Hong, the chairman, is a substantial shareholder of the Company and has considerable industry experience. He is motivated to contribute to the growth and profitability of the Group. The Board is of the view that it is in the best interests of the Group to have an executive chairman so that the Board can have the benefit of a chairman who is knowledgeable about the business of the Group and is most capable to guide discussions and brief the Board in a timely manner on pertinent issues and developments to facilitate open dialogue between the Board and the management.

AUDIT COMMITTEE

The Company set up an audit committee (the "Committee") on 24 May 2001 with written terms of reference in compliance with the requirements as set out in Rules 5.28 and 5.29 of the GEM Listing Rules. The audit committee comprise three independent non executive directors, namely Shen Yu Xiang, Xue Chang Qing and Yan Li Jin, Shen Yu Xiang is the Chairman of the audit committee. The primary duties of the Committee are to review and provide supervision over the financial reporting procedures and internal control system of the Group.

The committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including a review of the unaudited results of the Group for the period ended 30 June 2013.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2013, the Group had 450 employees (30 June 2012: 422 employees). Remuneration is determined by reference to market terms and the performance, qualifications and experience of individual employee. Discretionary bonuses based on individual performance will be paid to employees as recognition of and reward for their contribution. Other benefits include contributions to retirement scheme and medical scheme.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 June 2013, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

By order of the Board
Zhang Hong
Chairman

Jilin, the PRC
13 August 2013

As at the date of this announcement, the Board comprises six executive directors, being Zhang Hong, Zhang Xiao Guang, Tian Xin Guo, Chen Qi Ming, Wu Guo Wen, Zhao Bao Gang and three independent non-executive directors, being Shen Yu Xiang, Xue Chang Qing and Yan Li Jin.

This announcement will remain on the GEM website at <http://www.hkgem.com> on the "Latest Company Announcements" page for 7 days from the day of its posting.