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利君國際醫藥(控股)有限公司

Lijun International Pharmaceutical (Holding) Co., Ltd.

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 2005)

PROPOSALS FOR SUBDIVISION OF SHARES AND CHANGE OF BOARD LOT SIZE INCREASE IN AUTHORIZED ORDINARY SHARE CAPITAL REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES AND RE-ELECTION OF DIRECTORS

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



兆豐資本(亞洲)有限公司

Mega Capital (Asia) Company Limited

A letter from the Board is set out on pages 4 to 17 of this circular. A letter from the Independent Board Committee is set out on page 18 of this circular.

A letter from Mega Capital (Asia) Company Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 20 to 28 of this circular.

A notice convening an extraordinary general meeting of the Company to be held at 10:00 a.m., on 28 August 2007 at Meeting Room of Office 2809, 28th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong is set out on pages 29 to 32 of this circular. Whether or not you intend to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so desire.

10 August 2007

CONTENTS

	<i>Page</i>
Expected Timetable	ii
Definitions	1-3
Letter from the Board	4-17
Appendix — General Information	18
Letter from the Independent Board Committee	19
Letter from Mega Capital	20-28
Notice of Extraordinary General Meeting	29-32

TIMETABLE

Time & Date

Latest time from lodging forms of proxy for the EGM	10:00 a.m. on 26 August 2007
EGM	10:00 a.m. on 28 August 2007
Publication of further announcement for the effectiveness of the Share Subdivision	29 August 2007
Effective date of the Share Subdivision	29 August 2007
Dealings in the Subdivided Shares commence	9:30 a.m. on 29 August 2007
Original counter for trading in existing Shares in board lots of 2,000 Shares temporarily closes	9:30 a.m. on 29 August 2007
Temporary counter for trading in board lots of 10,000 Subdivided Shares (in the form of Existing Share Certificates) opens	9:30 a.m. on 29 August 2007
First day of free exchange of Existing Share Certificate for the New Share Certificates	29 August 2007
Original counter for trading in Subdivided Shares in board lots of 5,000 Subdivided Shares (in the form of New Share Certificates) re-opens	9:30 a.m. on 12 September 2007
Parallel trading in Subdivided Shares (in the form of New Share Certificates and Existing Share Certificates) commences	9:30 a.m. on 12 September 2007
Temporary counter for trading in board lots of 10,000 Subdivided Shares (in the form of Existing Share Certificates) closes	4:00 p.m. on 5 October 2007
Parallel trading in Subdivided Shares (in the form of New Share Certificates and Existing Share Certificates) ends	4:00 p.m. on 5 October 2007
Last day for free exchange of Existing Share Certificates for New Share Certificates	10 October 2007

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Articles of Association”	the articles of association of the Company as may be amended from time to time
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any day(s) (other than Saturday) on which commercial banks in Hong Kong are generally open for business
“CCASS”	the Central Clearing and Settlement System, established and operated by HKSCC
“CSHKISL”	Computershare Hong Kong Investor Services Limited
“Company”	Lijun International Pharmaceutical (Holding) Co., Ltd., a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“EGM”	the extraordinary general meeting of the Company to be convened and held at 10 a.m., on 28 August 2007 at Meeting Room of Office 2809, 28/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong
“Existing Share Certificate(s)”	existing form of certificates of the Shares
“General Mandate”	the general mandate granted to the Directors to exercise the power of the Company to issue securities up to 20% of the Company’s issued share capital as at the date of the annual general meeting of the Company held on 23 May 2007
“HKSCC”	Hong Kong Securities Clearing Company Limited

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the board of Directors formed for the purpose of advising the Independent Shareholders in connection with the refreshment of General Mandate
“Independent Financial Adviser” or “Mega Capital”	Mega Capital (Asia) Company Limited, a corporation licensed under the SFO to carry out types 1 and 6 regulated activities (dealing in securities and advising on corporate finance), which is not a connected person (as defined in the Listing Rules) of the Company and which is the independent financial adviser to the Independent Board Committee and the Independent Shareholders
“Independent Shareholders”	The Shareholders other than Prime United Industries Limited, Success Manage International Limited and Bondwide Trading Limited and their associates
“Independent Third Party(ies)”	any person(s) or company(ies), to the best of the Directors’ knowledge, information and belief having made all reasonable enquires, are third parties independent of the Company in accordance with the Listing Rules
“Latest Practicable Date:	8 August 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Committee”	the listing sub-committee of the board for Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Share Certificate(s)”	form of certificates of the Subdivided Shares
“Notice”	the notice convening the EGM
“Old Share(s)”	old ordinary share(s) of HK\$0.1 each in the share capital of the Company before the Share Subdivision became effective on 29 August 2007
“PRC”	People’s Republic of China

DEFINITIONS

“Refreshed General Mandate”	the general mandate which, if approved, would authorise the Directors to exercise the power of the Company to issue securities up to 20% of the Company’s issued share capital as at the date of the EGM
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shares”	Ordinary shares of HK\$0.10 each in the share capital of the Company, or if the Share Subdivision is approved at the EGM, ordinary shares of HK\$0.02 each in the share capital of the Company
“Share Option Scheme”	The share option scheme adopted by the Company on 16 October 2005
“Shareholders”	The holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Share Subdivision”	subdivision of every issued and unissued Old Share into five Shares
“Subdivided Share(s)”	ordinary share(s) of par value of HK\$0.02 each in the share capital of the Company upon completion of the Share Subdivision
“Subscription Agreement”	The Subscription Agreement dated 17 May 2007 as mentioned in the announcement dated 17 May 2007
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

LETTER FROM THE BOARD



利君國際醫藥(控股)有限公司

Lijun International Pharmaceutical (Holding) Co., Ltd.

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 2005)

Executive Directors:

Mr. Wu Qin (*Chairman*)

Mr. Qu Jiguang

Mr. Wu Zhihong

Mr. Huang Chao

Mr. Xie Yunfeng

Ms. Sun Xinglai

Mr. Wang Xian Jun

Mr. Duan Wei

Mr. Wang Zhizhong

Ms. Zhang Guifu

Non-executive Director:

Mr. Liu Zhiyong

Independent non-executive Directors:

Mr. Wang Yibing

Mr. Leung Chong Shun

Mr. Chow Kwok Wai

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Head Office and Principal Place

of Business:

Office 2809, 28th Floor

Office Tower, Convention Plaza

1 Harbour Road, Wanchai

Hong Kong

10 August 2007

To the Shareholders

Dear Sir or Madam,

**PROPOSALS FOR SUBDIVISION OF SHARES AND
CHANGE OF BOARD LOT SIZE
INCREASE IN AUTHORIZED ORDINARY SHARE CAPITAL
REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES AND
RE-ELECTION OF DIRECTORS**

INTRODUCTION

The purpose of this circular is to provide you with, among others, (i) information regarding resolutions to be proposed at the EGM to be held at 10:00 a.m. on Tuesday, 28 August 2007 at Meeting Room of Office 2809, 28/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong, which, upon approval, would enable the Company to (a) subdivide the shares; (b) increase the authorized share capital of the Company; (c) revoke the General Mandate; and (d) approve the Refreshed General Mandate; (e) re-elect various Directors; (ii) a letter of recommendation from the Independent Board Committee; (iii) a letter of advice from Mega Capital regarding the proposed refreshment of General Mandate; and (iv) a notice of the EGM.

LETTER FROM THE BOARD

PROPOSED SUBDIVISION OF SHARES AND CHANGE OF BOARD LOT SIZE

The Board proposes that each of the existing issued and unissued Shares of par value of HK\$0.1 each in the share capital of the Company be subdivided into five Subdivided Shares of par value of HK\$0.02 each. The Shares are currently traded in board lots of 2,000 Shares. Upon the Share Subdivision becoming effective, the Subdivided Shares will be traded in board lots of 5,000 Subdivided Shares. Based on the closing price of HK\$4.5 per Share as quoted on the Stock Exchange as at the Latest Practicable Date, and the existing board lot size of 2,000 Shares, the prevailing board lot value is HK\$9,000. On the basis of the aforesaid closing price and the new board lot size of 5,000 Subdivided Shares, the new board lot value would be HK\$4,500. The proposed subdivision of shares will not result in any change in the relevant rights of the Shareholders.

The Shares are currently traded in board lots of 2,000 Shares. Upon the Share Subdivision becoming effective, the Subdivided Shares will be traded in board lots of 5,000 Subdivided Shares. The change of board lot size will not result in any change in the relevant rights of the Shareholders. The reason for the Company to change the board lot size is to facilitate trading of shares in a smooth manner.

The Articles of Association of the Company do not require that the proposed change of board lot size to be decided by poll at the EGM nor is the proposed change of board lot size to be subject to Shareholders' approval at EGM. As confirmed by Cayman Islands legal adviser, the proposed Share Subdivision is not subject to registration and approval of any authority in Cayman Islands.

The change of board lot size is not subject to the proposed refreshment of general mandate to be approved at the EGM, but is subject to the proposed Share Subdivision to be approved at the EGM.

The change of board lot size is conditional, amongst other things, upon the passing of an ordinary resolution by the Shareholders at the EGM for approving the proposed Share Subdivision.

Conditions of the Share Subdivision

The Share Subdivision is conditional, amongst other things, upon:

- (i) the passing of an ordinary resolution by the Shareholders at the EGM for approving the Share Subdivision; and
- (ii) the Listing Committee granting the listing of, and permission to deal in, the Subdivided Shares.

LETTER FROM THE BOARD

Reason for the Share Subdivision

The Board believes that the Share Subdivision will improve the liquidity in trading of shares of the Company, thereby enabling the Company to attract more investors and widen the Company's shareholder base. Given the prevailing market conditions, a more liquid market will provide more flexibility for investors to buy and sell shares of the Company. Accordingly, the Board considers the Share Subdivision to be in the best interests of the Company and its Shareholders as a whole.

Save for the costs to be incurred by the Company in implementing the Share Subdivision, the Share Subdivision will not alter the underlying assets, business operations, management or financial position of the Company or the proportional interests of the Shareholders. The Board considers that the Share Subdivision will not have any adverse effect on the financial position of the Company.

Shareholding structure

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$100,000,000 divided into 1,000,000,000 Shares, of which 400,990,067 Shares are in issue and fully paid. Assuming that no further Shares will be issued or repurchased after the Latest Practicable Date, the effect of the Share Subdivision on the share capital of the Company is set out as follows:

	Before Share Subdivision (assuming no Share is issued or repurchased after the date hereof)	After Share Subdivision (assuming no Share is issued or repurchased after the date hereof)
Par value of each share	HK\$0.1	HK\$0.02
Number of authorised shares	1,000,000,000	5,000,000,000
Authorised share capital	HK\$100,000,000	HK\$100,000,000
Number of shares in issue	400,990,067	2,004,950,335
Issued share capital	HK\$40,099,006.7	HK\$40,099,006.7
Number of unissued shares	599,009,933	2,995,049,665
Unissued share capital	HK\$59,900,993.3	HK\$59,900,993.3

The Subdivided Shares will rank *pari passu* in all respects with each other and the Share Subdivision will not result in any change in relevant rights of the Shareholders.

LETTER FROM THE BOARD

Arrangement on Subdivided Shares

Subject to the Share Subdivision becoming effective, dealings in the Subdivided Shares are expected to commence on Wednesday, 29 August 2007. Parallel trading arrangements will be established with the Stock Exchange and will be operated from Wednesday, 12 September 2007 to Friday, 5 October 2007 (both days inclusive). Upon the Share Subdivision becoming effective, the arrangements proposed for dealings in the Subdivided Shares are expected to be as follows:

- (i) From 29 August 2007, the existing counter for trading in the existing Shares in board lots of 2,000 Shares will be temporarily closed. A temporary counter will be established for trading in the Subdivided Shares in board lots of 10,000 Subdivided Shares. Share certificates for the Subdivided Shares in the form of Existing Share Certificates may only be traded at the temporary counter.
- (ii) With effect from 12 September 2007, the existing counter will be re-opened for trading in the Subdivided Shares in board lots of 5,000 Subdivided Shares. Only New Share Certificates for the Subdivided Shares may be traded at the existing counter.
- (iii) From 12 September 2007 to 5 October 2007, both days inclusive, parallel trading will be permitted at the two counters mentioned in paragraphs (i) and (ii) above.
- (iv) The temporary counter for trading in the Subdivided Shares in board lots of 10,000 Subdivided Shares (in the form of Existing Share Certificates) will be removed after the close of trading on 5 October 2007.
- (v) With effect from 9:30 a.m. on Monday, 8 October 2007, trading of Subdivided Shares will only be carried out in the original counter in board lots of 5,000 Subdivided Shares (in the form of New Share Certificates).

The Existing Share Certificates will only be valid for delivery, trading and settlement purposes for the period up to 4:00 p.m. on Friday, 5 October 2007 and thereafter will not be accepted for delivery, trading and settlement purposes. However, the Existing Share Certificates will continue to be good evidence of legal title to the Subdivided Shares on the basis of one Share for five Subdivided Shares and may be exchanged free of charge for the New Share Certificates for Subdivided Shares at any time between Wednesday, 29 August 2007 and Wednesday, 10 October 2007 (both days inclusive), and on payment of a prescribed fee of HK\$2.50 at any time after Wednesday, 10 October 2007 at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1806-1807, 18th Floor, Hopewell Centre, 183, Queen's Road East, Hong Kong. It is expected that the New Share Certificates will be available for collection within a period of 10 business days after the submission of the Existing Share Certificates. The New Share Certificates will be purple in color so as to be distinguished from the Existing Share Certificates which are green in color.

LETTER FROM THE BOARD

Arrangement on odd lot trading

The Shares Subdivision will not result in any odd lots other than those already exist. Accordingly, no arrangement will be made by the Company for matching sale and purchase of odd lot in connection with the Shares Subdivision.

Adjustments to Bonds (as defined in the Subscription Agreement)

As at the Latest Practicable Date, there are outstanding Conversion Right (as defined in the Subscription Agreement) for subscription of up to 38,715,352 Shares under the Subscription Agreement. The Share Subdivision may lead to adjustment to the Conversion Price (as defined in the Subscription Agreement) and the number of Shares which may fall to be issued upon exercise of the outstanding Conversion Rights. The Company will ascertain the required adjustments to the Conversion Rights of which will be reviewed by the auditors or independent financial advisor of the Company pursuant to the Listing Rules and the terms and conditions of the Subscription Agreement, and the holders of the Bonds will be informed of the required adjustments as soon as practicable. The Company will issue an announcement to inform the bondholders of the adjustment to the Conversion Price and number of Shares to be issued as a result of the Share Subdivision.

INCREASE IN AUTHORISED ORDINARY SHARE CAPITAL

In order to ensure that sufficient number of unissued Shares are available for future purpose, the Company proposes to increase its authorised ordinary share capital from HK\$100,000,000 divided into 1,000,000,000 ordinary shares of HK\$0.1 each to HK\$200,000,000 divided into 2,000,000,000 Shares of HK\$0.1 each by the creation of an additional 1,000,000,000 new Shares of HK\$0.1 each. If the Share Subdivision is approved at the EGM, the Company proposes to increase the authorized ordinary share capital of the Company from HK\$100,000,000 divided into 5,000,000,000 ordinary shares of HK\$0.02 each to HK\$200,000,000 divided into 10,000,000,000 Shares of HK\$0.02 each by the creation of an additional 5,000,000,000 new Shares of HK\$0.02 each upon the Share Subdivision taking effect. Such new Shares, upon issue, shall rank *pari passu* in all respects with the existing Shares. The increase of the authorised ordinary share capital of the Company by 1,000,000,000 Old Shares or upon the Share Subdivision taking effect, by 5,000,000,000 Subdivided Shares, is determined by taking into account the Company's need for flexibility in issuing Shares for any future investments and developments.

Pursuant to article 4 of the Articles of Association, the proposed increase in authorised ordinary share capital of the Company is conditional upon the passing of an ordinary resolution by the Shareholders at the EGM. As confirmed with the Company's lawyers on Cayman Islands laws, the increase in authorised ordinary share capital of the Company does not require the approval of any authority in the Cayman Islands.

LETTER FROM THE BOARD

For the avoidance of doubt, the resolution to approve the increase in authorised ordinary share capital of the Company is independent of and not conditional upon the Shareholders' approval of the Refreshed General Mandate, and that it is not subject to the approval of the Share Subdivision.

As the Company is continuously looking for investment opportunities, the proposed increase in authorized ordinary share capital of the Company will provide flexibility to the Company in determining its future business plan, and is therefore in the interest of the shareholders.

FUND RAISING ACTIVITIES SINCE THE LAST ANNUAL GENERAL MEETING OF THE COMPANY HELD ON 23 MAY 2007

Set out below is a summary of the fund raising activities of the Company since its last annual general meeting held on 23 May 2007:

Date of Agreement/ Supplemental Deed	Transaction	Approximate net proceeds raised	Completed on	Intended use of proceeds	Actual use of proceeds
17 May 2007	Issuance of convertible bond involving 39,205,419 new Shares under the General Mandate (the "Issue of CB")	HK\$160,000,000	30 May 2007	Refer to "Use of Proceeds" section below	Refer to "Use of Proceeds" section below

USE OF PROCEEDS

The Issue of CB has raised gross proceeds of approximately HK\$162,700,000. Such proceeds (net of expenses of approximately HK\$2,700,000) were used as to approximately HK\$121,000,000 for partial payment of the Consideration of the acquisition of the Sale Shares and the Shareholder's Loan as referred to in the Company's announcement dated 30 March 2007 and the balance for general working capital of the Group and funding for future investments or project developments when opportunities are identified.

LETTER FROM THE BOARD

PROPOSAL FOR REFRESHED GENERAL MANDATE

On 23 May 2007, the General Mandate was given to the Directors to exercise the powers of the Company to issue up to 58,100,000 Old Shares, representing 20% of the issued share capital of the Company as at the date thereof. Such mandate has not been refreshed since it was granted and, after completion of the Issue of CB on 30 May 2007, has been substantially utilized. As at the Latest Practicable Date, the balance of the General Mandate comprised 18,894,581 Old Shares. In the circumstances and in order to provide the Company with general working capital and/or flexibility to fund future investments or project developments when opportunities are identified, at the EGM, it will be proposed, by way of ordinary resolutions, that (a) the General Mandate be revoked to the extent not yet exercised prior to the passing of the relevant resolution; and (b) the Directors be given the proposed Refreshed General Mandate.

As at the Latest Practicable Date, the number of Shares in issue was 400,990,067 Shares. If the proposed Refreshed General Mandate is approved and on the basis that no further Shares will be issued and/or repurchased by the Company between the Latest Practicable Date and the date of the EGM, up to 80,198,013 new Shares, representing 20% of the existing 400,990,067 issued Shares as at the Latest Practicable Date, could be allotted and issued by the Company thereunder. Any issue of new Shares is subject to approval from the Stock Exchange for the listing of, and permission to deal in, such new Shares.

Pursuant to Rule 13.39 of the Listing Rules, the proposed Refreshed General Mandate requires the approval of the Independent Shareholders by poll at the EGM at which any of the controlling Shareholders and their Associates, or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective Associates shall abstain from voting in favour of the Refreshed General Mandate at the EGM. As Prime United Industries Limited and Bondwide Trading Limited are the controlling Shareholders, which beneficially respectively owns 123,984,000 shares (approximately 30.96% of the issued share capital of the Company) and 1,197,000 shares (approximately 0.30% of the issued share capital of the Company) as at the Latest Practicable Date, Prime United Industries Limited and Bondwide Trading Limited and their Associate, namely, Success Manage International Limited, which held 5,156,000 shares (approximately 1.29% of the issued share capital of the Company) are required to, and will, abstain from voting in favour of the resolutions to be proposed at the EGM in respect of the revocation of the General Mandate and the approval of the Refreshed General Mandate.

Pursuant to Rule 13.36(4)(c), a letter issued by each of the Independent Board Committee and Mega Capital will be circulated to the Shareholders before the EGM.

Though as at the Latest Practicable Date, the balance of the General Mandate comprised 18,894,581 Old Shares, as the Company is continuously looking for investment opportunities, the proposed refreshment of General Mandate will provide flexibility to the Company in determining its future business plan, and is therefore in the interest of the shareholders.

LETTER FROM THE BOARD

RE-ELECTION OF DIRECTORS

As announced by the Board by way of announcement dated 27 July 2007, Mr. Qu Jiguang (formerly an independent non-executive Director of the Company) was re-designated as an executive Director, vice-chairman and the chief executive officer, Mr. Duan Wei, Mr. Wang Zhizhong, Ms. Zhang Guifu were appointed as executive Directors and Mr. Wang Yibing was appointed as an independent non-executive Director, member of the Audit Committee and member of the Remuneration Committee of the Company with effect from 26 July 2007.

According to Article 86 of the Articles of Association and the Listing Rules, all Directors appointed as an addition to the Board shall be subject to re-election by the Shareholders at the first general meeting after their appointment. Accordingly, Mr. Qu Jiguang, Mr. Duan Wei, Mr. Wang Zhizhong, Ms. Zhang Guifu shall offer themselves for re-election as executive Directors and Mr. Wang Yibing as independent non-executive Director at the EGM.

Details of Mr. Qu Jiguang, Mr. Duan Wei, Mr. Wang Zhizhong, Ms. Zhang Guifu are set out below:

Mr. Qu Jiguang (曲繼廣), aged 51, is an executive Director, the vice-chairman and the chief executive officer of the Company. Mr. Qu joined Shijiazhuang No.1 Pharmaceutical Factory (“No. 1 Pharma”) as deputy factory manager in 1995. He later became a director and the vice general manager of Shijiazhuang Pharmaceutical Group. From December 2004, Mr. Qu has been the chairman of New Orient Investments Limited, a wholly owned subsidiary of the Company (“New Orient”), the chairman and general manager of Shijiazhuang No. 4 Pharmaceutical Ltd, a wholly owned subsidiary of New Orient (“No. 4 Pharma”), the chairman of China Pharmaceutical Company Limited, which held 27.47% interest in the Company (“CPCL”) and the chairman of CMP Group Limited (“CMP”). Mr. Qu was an independent non-executive Director of the Company and was an executive director of China Pharmaceutical Group Limited, a company listed on the Stock Exchange, from February 2001 to September 2004. Mr. Qu graduated from Tianjin Finance College with a postgraduate degree in Finance in 1999. He is also an economist accredited by The Ministry of Personnel of China.

Mr. Qu has entered into a service contract with the Company for a fixed term of three years commencing from 17 October 2005 and with terms revised on 26 July 2007, subject to retirement and re-election provisions as set out in the Articles of Association. Pursuant to the revised service contract, the annual director’s emoluments of Mr. Qu is HK\$2,600,000 together with discretionary bonus based on the Company’s performance. The terms of appointment were approved by the Remuneration Committee of the Company and the Board with reference to Mr. Qu’s qualification and experience, responsibilities to be undertaken. In addition, Mr. Qu is eligible to participate in the Company’s share option scheme.

LETTER FROM THE BOARD

On and since 29 June 2007, Mr. Qu was and has since then be deemed to be interested in 110,000,000 shares of the Company held by China Pharmaceutical Company Limited within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

Save as disclosed above, Mr. Qu does not have any relationships with any other directors, senior management or substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

Mr. Duan Wei (段偉), 48, is an executive Director. He joined No. 1 Pharma as a supervisor in March 1984 and was later promoted as the supervisor of Shijiazhuang Pharmaceutical Group. Mr. Duan has been an executive director and the vice general manager of No. 4 Pharm since March 1999 and he has also been an executive director of New Orient, CPCL and CMP. Mr. Duan graduated from Hebei Central Radio and TV University (河北廣播電視大學) and has ample experiences in sales management.

Mr. Duan has entered into a service contract with the Company for a fixed term of three years commencing from 26 July 2007, subject to retirement and re-election provisions as set out in the Articles of Association. Pursuant to the service contract, the annual director's emoluments of Mr. Duan is HK\$600,000 together with discretionary bonus based on the Company's performance. The terms of appointment were approved by the Remuneration Committee of the Company and the Board with reference to Mr. Duan's qualification and experience, responsibilities to be undertaken. In addition, Mr. Duan is eligible to participate in the Company's share option scheme. Save as disclosed above, Mr. Duan does not have any relationships with any other directors, senior management or substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

As at the Latest Practicable Date, Mr. Duan was not interested or deemed to be interested in any shares or underlying shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

Mr. Wang Zhizhong (王志忠), 48, is an executive Director. He joined No. 4 Pharm in September 1984 and later became an executive director and an assistant general manager. He has also been an executive director of New Orient, CPCL and CMP. Mr. Wang graduated with a bachelor degree from 瀋陽藥科大學 (Shenyang Pharmaceutical University) majoring in pharmacy research, production and human resources management.

Mr. Wang has entered into a service contract with the Company for a fixed term of three years commencing from 26 July 2007, subject to retirement and re-election provisions as set out in the Articles of Association. Pursuant to the service contract, the annual director's emoluments of Mr. Wang is HK\$500,000 together with discretionary bonus based on the Company's performance. The terms of appointment were approved by the Remuneration Committee of the Company and the Board with reference to Mr. Wang's qualification and experience, responsibilities to

LETTER FROM THE BOARD

be undertaken. In addition, Mr. Wang is eligible to participate in the Company's share option scheme. Save as disclosed above, Mr. Wang does not have any relationships with any other directors, senior management or substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

As at the Latest Practicable Date, Mr. Wang was not interested or deemed to be interested in any shares or underlying shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

Ms. Zhang Guifu (張桂馥), 46, is an executive Director. Ms. Zhang joined Hebei Yuanzheng Pharmaceutical Company Limited (河北遠征藥業有限公司) as the finance manager in 1991. She has been the finance manager of No. 4 Pharm since August 2001 and an executive director of No.4 Pharm since December 2001. She has also been an executive director of New Orient and CPCL. Ms. Zhang graduated from Hebei Economic Management College (河北經濟管理幹部學院) and has over 27 years of experience in financial control.

Ms. Zhang has entered into a service contract with the Company for a fixed term of three years commencing from 26 July 2007, subject to retirement and re-election provisions as set out in the Articles of Association. Pursuant to the service contract, the annual director's emoluments of Ms. Zhang is HK\$300,000 together with discretionary bonus based on the Company's performance. The terms of appointment were approved by the Remuneration Committee of the Company and the Board with reference to Ms. Zhang's qualification and experience, responsibilities to be undertaken. In addition, Ms. Zhang is eligible to participate in the Company's share option scheme. Save as disclosed above, Ms. Zhang does not have any relationships with any other directors, senior management or substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

As at the Latest Practicable Date, Ms. Zhang was not interested or deemed to be interested in any shares or underlying shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

Mr. Wang Yibing (王亦兵), aged 45, independent non-executive Director. He graduated from Shenyang Pharmaceutical University, majored in pharmacy (瀋陽藥科大學藥學). He is currently the executive vice-president of Hebei Province Pharmaceutical Industrial Chamber of Commerce (河北省醫藥行業協會). Mr Wang joined Hebei Provincial Pharmaceutical Research Centre (河北省藥物研究所) in July 1983 and became supervisor in research centre of pharmacodynamics, research centre of preparations, the pharmaceutical factory and scientific research management centre successively. In 1991, Mr. Wang joined the General Economics Division of Hebei Provincial Administration of Medicine (河北省醫藥管理局綜合經濟處) as vice supervisor and was promoted to supervisor and the deputy director successively. From April 2000 to July 2005, he was the Director of Division of Drug Registration and Division of Drug Safety and Inspection of Hebei Food and Drug Administration (河北省食品藥品監督管理局藥品註冊處, 藥品安全監管處). Mr. Wang possesses about 24 years' experience in

LETTER FROM THE BOARD

pharmaceutical research, production and industry regulation, is familiar with pharmaceutical laws and regulations and drug inspection procedures. He has profound exposure in the areas of pharmaceutical research, production, circulation and application, while comprehends and provides insights into the overall situation and trend of development of the pharmaceutical industry at both the provincial and state levels.

Mr. Wang has entered into a service contract with the Company for a fixed term of three years commencing from 26 July 2007, subject to retirement and re-election provisions as set out in the Articles of Association. Pursuant to the service contract, the annual director's emoluments of Mr. Wang is HK\$180,000. The terms of appointment were approved by the Remuneration Committee of the Company and the Board with reference to Mr. Wang's qualification and experience, responsibilities to be undertaken. The Company had received from Mr. Wang a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considered Mr. Wang to be independent.

As at the Latest Practicable Date, Mr. Wang was not interested or deemed to be interested in any shares or underlying shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

Save as disclosed above, Mr. Wang does not have any relationships with any other directors, senior management or substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

There is not any matter regarding the directors to be re-elected that need to be brought to the attention of the Company's shareholders pursuant to Rule 13.51(2)(w) of the Listing Rules. For all of the above Directors, save as disclosed above, there is no information to be disclosed pursuant to any of the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

THE EGM

Details of the EGM are set out below:

Date : 28 August 2007 (Tuesday)

Time : 10:00 a.m.

Venue : Meeting Room of Office 2809, 28th Floor, Office Tower, convention Plaza, 1 Harbour Road, Wanchai, Hong Kong

LETTER FROM THE BOARD

As Prime United Industries Limited and Bondwise Trading Limited was the controlling Shareholders as at the Latest Practicable Date, voting on the resolutions in relation to the proposed revocation of the General Mandate and the approval of the Refreshed General Mandate will be conducted by way of a poll as required by the Listing Rules and for those matters, Prime United Industries Limited and Bondwise Trading Limited and its Associates, namely Success Manage International Limited shall abstain from voting at the EGM.

The Notice is set out on pages 29 to 32 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not the Shareholders intend to attend the EGM, they are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited as soon as possible and in any event so as to arrive not less than 48 hours before the time appointed for holding the EGM. The return of a form of proxy will not preclude the Shareholders from attending and voting in person at the EGM (or any adjournment thereof) should they so desire.

An announcement will be made by the Company following the conclusion of the EGM to inform the Shareholders of the results thereof.

RIGHT TO DEMAND A POLL

Pursuant to Article 66 of the Articles of Association, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is required by the Listing Rules or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

- (a) by the chairman of such meeting; or
- (b) by at least three Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) by any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (d) by any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right; or

LETTER FROM THE BOARD

- (e) If required by the Listing Rules, by any Director or Directors who, individually or collectively, hold proxies in respect of Shares representing five per cent. (5%) or more of the total voting rights at such meeting.

ACTION TO BE TAKEN

If you do not propose to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions thereon, together with the power of attorney, if any, under which it is signed or a notarially certified copy of such power of attorney or authority to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1806-1807, 18th Floor, Hopewell Centre, 183, Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding the EGM or any adjournment hereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

LISTING AND DEALING

An application will be made to the Listing Committee of the Stock Exchange for the granting of listing of, and permission to deal in, the Subdivided Shares. Subject to the granting of listing of, and permission to deal in, the Subdivided Shares on the Stock Exchange, the Subdivided Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Subdivided Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General rules of CCASS and CCASS Operational Procedures in effect from time to time.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 19 of this circular and the letter from Mega Capital set out on pages 20 to 28 of this circular.

The Independent Board Committee, having taken into account the advice of Mega Capital, is of the opinion that the Refreshed General Mandate is in the best interests of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

LETTER FROM THE BOARD

Further, the Directors are of the opinion that the proposed Share Subdivision, increase in authorized ordinary share capital, revocation of General Mandate to the extent not yet utilized, the approval of the Refreshed General Mandate and re-election of new Directors are in the best interests of the Company and recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

Yours faithfully,

For and on behalf of the Board

Lijun International Pharmaceutical (Holding) Co., Ltd.

Wu Qin

Chairman

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.



利君國際醫藥(控股)有限公司

Lijun International Pharmaceutical (Holding) Co., Ltd.

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 2005)

10 August 2007

To the Independent Shareholders

Dear Sir or Madam,

REFRESHMENT OF GENERAL MANDATE TO ALLOT AND ISSUE SHARES

We refer to the circular of the Company dated 10 August 2007 of which this letter forms part. Terms defined in this circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed by the Board to form the Independent Board Committee to consider the terms of the proposed Refreshed General Mandate and to make recommendations to the Independent Shareholders.

We have considered whether the terms of the proposed Refreshed General Mandate are fair and reasonable so far as the Independent Shareholders are concerned. Mega Capital (Asia) Company Limited has been appointed as the Independent Financial Adviser to advise us in respect of the above matter.

We wish to draw your attention to the letter from the Board and the letter from Mega Capital as set out in this circular.

Having considered the terms of the proposed Refreshed General Mandate and the advice of Mega Capital as set out on pages 20 to 28 of this circular, we consider that the terms of the proposed Refreshed General Mandate are fair and reasonable so far as the Company and the Independent Shareholders are concerned and the proposed Refreshed General Mandate is in the interests of the Company and the Shareholders as a whole. On this basis, we recommend that the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the proposed Refreshed General Mandate.

Yours faithfully,

For and on behalf of the Independent Board Committee

Chow Kwok Wai

Leung Chong Shun

Wang Yibing

Independent non-executive Directors

LETTER FROM MEGA CAPITAL

The following is the text of the letter of advice from Mega Capital to the Independent Board Committee and the Independent Shareholders dated 10 August 2007 for incorporation in this circular.



兆豐資本(亞洲)有限公司
Mega Capital (Asia) Company Limited

Units 2213-2214, 22/F.,
Cosco Tower
183 Queen's Road Central
Hong Kong

10 August 2007

To the independent board committee and the independent shareholders of
Lijun International Pharmaceutical (Holding) Co., Ltd.

Dear Sir/Madam,

REFRESHMENT OF GENERAL MANDATE TO ALLOT AND ISSUE SHARES

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed revocation of the General Mandate to the extent not yet utilized and the approval of the Refreshed General Mandate, details of which are set out in this circular of which this letter forms part. Capitalized terms used in this letter shall have the same meanings ascribed to them in this circular unless otherwise defined herein.

Pursuant to the Listing Rules, the proposed revocation of the General Mandate to the extent not yet utilized and the approval of the Refreshed General Mandate are subject to the approval of the Independent Shareholders at the EGM by way of poll. Accordingly, the Independent Board Committee has been established to advise whether the proposed revocation of the General Mandate to the extent not yet utilized and the approval of the Refreshed General Mandate are in the interest of the Company and Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned. The Independent Board Committee is comprised of the three independent non-executive Directors, namely, Mr. Wang Yibing, Mr. Leung Chong Shun and Mr. Chow Kwok Wai. In this regard, we have been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders.

LETTER FROM MEGA CAPITAL

Pursuant to Rule 13.36(4)(a) of the Listing Rules, the revocation of the General Mandate to the extent not yet utilized and the grant of the Refreshed General Mandate require the approval of the Independent Shareholders at the EGM at which any of the controlling Shareholders and their Associates or, where there is no controlling Shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective Associates shall abstain from voting in favour of the relevant resolution. Being the controlling Shareholders, Prime United Industries Limited and Bondwise Trading Limited (i) individually and beneficially owns approximately 30.9% and 0.3% of the issued share capital of the Company respectively as at the Latest Practicable Date, and (ii) together with their concert party, namely, Success Manage International Limited, own approximately 32.5% of the issued share capital of the Company as at the Latest Practicable Date. In this connection, Prime United Industries Limited and Bondwise Trading Limited and their Associates, namely, Success Manage International Limited, are required to, and will, abstain from voting in favour of the resolutions to be proposed at the EGM in respect of the revocation of the General Mandate to the extent not yet utilized and the approval of the Refreshed General Mandate.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in this circular and information and facts provided to us by the Company, the Directors and the management of the Company. We have also assumed that all statements of belief and intention made by the Directors in this circular were reasonably made after due enquiry. We have assumed that all statements and representations made or referred to in this circular were true at the time they were made and continue to be true at the date of the EGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, the Directors and management of the Company and have no reason to doubt that any relevant material facts have been withheld or omitted. We consider that we have reviewed sufficient information to reach an informed view with reference to Rule 13.80 of the Listing Rules and to justify reliance on the accuracy of the information contained in this letter and to provide a reasonable basis for our opinion. We have not, however, conducted an independent investigation into the business affairs, financial position or future prospects of the Company nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In establishing our opinion regarding the proposed revocation of the General Mandate to the extent not yet utilized and the approval of the Refreshed General Mandate, we have considered the following principal factors and reasons:

1. Background

On 17 May 2007, the Company announced that it entered into the subscription agreement dated 17 May 2007 with ABN AMRO BANK N.V. (“ABN”) pursuant to which ABN agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the zero-coupon convertible bonds due 2010 (the “Bonds”) with an aggregate principal amount

LETTER FROM MEGA CAPITAL

of RMB160 million. Based on the initial conversion price (“Initial Conversion Price”) of HK\$4.15 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), representing approximately 9.8% of the issued share capital of the Company as at the Latest Practicable Date and approximately 8.9% of the enlarged issued share capital of the Company upon full conversion of the Bonds.

Upon issuance of the Bonds, the Company has utilized part of the General Mandate granted to the Directors at the annual general meeting of the Company held on 23 May 2007 to allot and issue up to 58,100,000 ordinary Shares, being 20% of the total issued share capital of the Company as at the date thereof. As at the Latest Practicable Date, approximately 490,067 Shares have been issued due to partial conversion of the Bonds. The Bonds are convertible into a total of 39,205,419 new Shares based on the Initial Conversion Price (subject to adjustment), representing approximately 67.5% of the total number of Shares that can be allotted and issued under the General Mandate. The remaining balance of new Shares that can be allotted and issued under the General Mandate amounts to approximately 18,894,581 Shares, being approximately 32.5% of the total number of Shares that can be allotted and issued under the General Mandate. As the General Mandate has been substantially utilized, the Directors consider that the grant of the Refreshed General Mandate would help maintain the flexibility of the Company to solicit funding for business development should appropriate investment and/or project development opportunities arise in the future. As such, the Company proposes to seek the approval of the Independent Shareholders at the EGM to revoke the General Mandate to the extent not yet utilized prior to the passing of the relevant resolution and to grant the Refreshed General Mandate to the Directors to allot and issue not exceeding 20% of the issued share capital of the Company as at the date of the EGM.

On the extraordinary general meeting of the Company held on 26 June 2007, the Independent Shareholders approved the issuance of 110,000,000 Shares (the “Consideration Shares”) as part of the consideration for the purchase of the total issued shares of New Orient Investments Limited (“New Orient”) and the shareholder’s loan owing by New Orient (the “Acquisition”), which was detailed in the circular of the Company dated 11 June 2007. Subsequent to the issue of the Consideration Shares and up to the Latest Practicable Date, the number of issued Shares amounted to 400,990,067. In this connection, the maximum number of Shares that can be allotted and issued under the Refreshed General Mandate, being 20% of the issued share capital of the Company as at the date of the EGM, amounts to 80,198,013 assuming that no other Shares will be issued and/or repurchased by the Company between the Latest Practicable Date and the date of the EGM.

2. Current resources and financial flexibility

As stated in its annual report for the year ended 31 December 2006 (“2006 Annual Report”), the Company expected to diversify its product portfolio. Following the acquisition of Shijiazhuang No. 4 Pharmaceutical Co., Ltd., which is the sole subsidiary of New Orient, the Company aimed to expand its product-line by introducing an array of new products. As further stated in the 2006 Annual Report, the Directors believed that the medical industry is in the process of integration, and that the current situation is beneficial to large-sized enterprises. In this connection, the Directors aimed to leverage on the market opportunities arising from the reform of the medical system of the PRC and the establishment of the new cooperative medical system in rural areas of the PRC, as well as to strengthen the Group’s market position by acquiring good-quality enterprises in the PRC when appropriate. When investment and/or acquisition opportunities arise, the Company might have to make prompt decisions and to solicit funding in a relatively short period of time. Therefore, it is necessary for the Company to maintain a flexible and readily available source of funding at reasonable costs.

As set out in the letter from the Board in this circular, since its last annual general meeting held on 23 May 2007, the only fund raising activity the Group has conducted was the issuance of the Bonds pursuant to the General Mandate. The Group has raised from the issuance of the Bonds gross proceeds of approximately HK\$162.7 million and net proceeds of approximately HK\$160.0 million. The net proceeds were used as to approximately HK\$121.0 million for the partial payment of the Acquisition and the balance of approximately HK\$39.0 million for general working capital of the Group and funding for future investments or project developments when opportunities are identified.

The granting of the Refreshed General Mandate would allow the Company to allot and issue new Shares to raise capital through placing of Shares or as consideration for investments and/or acquisitions, thereby enhancing the Company’s investing power. According to the 2006 Annual Report, cash and cash equivalents of the Group amounted to approximately RMB167.4 million as at 31 December 2006. Total liabilities of the Group amounted to approximately RMB412.6 million and total assets of the Group amounted to approximately RMB914.9 million as at 31 December 2006, contributing to a gearing ratio of approximately 45.1%. In case that any suitable investment opportunities arise, the Directors cannot ascertain whether the Company’s internal resources are sufficient to satisfy the funding needs; or if the Company can obtain borrowings in a short period of time at a cost acceptable to the Company. In this regard, the Refreshed General Mandate would serve as an alternative for equity funding should the Company encounter any urgent need for capital. Taking into account the consideration payable by the Company for the Acquisition which amounted to HK\$510 million, we consider that it is not unreasonable

LETTER FROM MEGA CAPITAL

for the Company to maintain a high level of financial flexibility to satisfy possible funding needs for investments and/or acquisitions of comparable scale to that of the Acquisition by obtaining the Refreshed General Mandate although the Company has a remaining balance of approximately 18,894,581 Shares that can be allotted and issued under the General Mandate, being approximately 32.5% of the total number of Shares that can be allotted and issued under the General Mandate.

3. Other financing alternatives

Other than raising funds by issuing equity capital, the Directors have advised that they would also consider other financing methods such as debt financing and funding through internal resources in order to meet its funding needs arising from future development of the Company. The Directors have further advised that they would select an appropriate funding alternative which is in the best interest of the Company depending on a number of factors such as (i) the financial position and capital structure of the Company; (ii) the cost of funding to the Company; and (iii) the then market condition. Provided that there is no immediate funding need for the Company's current operations and there is currently no concrete proposal presented by potential investors for placement of Shares, the Directors considered that the Refreshed General Mandate would enable the Company to respond to the market promptly when opportunities of fund raising through equity arise. As such, we concur with the Directors that the Refreshed General Mandate would be an appropriate funding alternative which is in the interest of the Company.

LETTER FROM MEGA CAPITAL

4. Potential dilution to shareholding of the Independent Shareholders

For illustration purpose, we have made reference to the 2006 Annual Report and set out below a table setting out the respective shareholding structures of the Company (i) as at the Latest Practicable Date; and (ii) upon full utilization of the Refreshed General Mandate assuming full conversion of the Bonds and that no other Shares are issued and/or repurchased by the Company:

	As at the Latest Practicable Date		Upon full utilization of the Refreshed General Mandate assuming full conversion of the Bonds	
	No. of Shares	% of total number of issued Shares (approximate)	No. of Shares	% of total number of issued Shares (approximate)
<i>Controlling Shareholders and concert parties:</i>				
Prime United Industries Limited (Notes 1 & 3)	123,984,000	30.9%	123,984,000	23.9%
Success Manage International Limited (Note 2)	5,156,000	1.3%	5,156,000	1.0%
Bondwise Trading Limited (Notes 3 & 4)	1,197,000	0.3%	1,197,000	0.2%
Subtotal	130,337,000	32.5%	130,337,000	25.1%
<i>Other Substantial Shareholders:</i>				
China Pharmaceutical Company Limited (Note 5)	110,000,000	27.4%	110,000,000	21.2%
Victory Rainbow Investment Limited (Note 6)	58,300,000	14.6%	58,300,000	11.2%
Subtotal	168,300,000	42.0%	168,300,000	32.4%
<i>Public Shareholders:</i>				
Bonds' holders (Note 7)	490,067	0.1%	39,205,419	7.5%
Other Shareholders	101,863,000	25.4%	101,863,000	19.6%
Subtotal	102,353,067	25.5%	141,068,419	27.1%
<i>Prospective placee(s)/ investor(s)</i>	—	—	80,198,013	15.4%
Total	400,990,067	100%	519,903,432	100%

LETTER FROM MEGA CAPITAL

Notes:

1. As at the Latest Practicable Date, Prime United Industries Limited was held as to approximately 2.43% by Mr. Wu Qin, an executive Director, as to approximately 2.43% by Mr. Wu Zhihong, an executive Director, as to approximately 2.41% by Mr. Huang Chao, an executive Director, as to approximately 4% by Mr. Xie Yunfeng, an executive Director, as to approximately 4% by Ms. Han Yamei, a member of the management of Xi'an Lijun Pharmaceutical Co., Ltd. (西安利君製藥有限責任公司) ("Xi'an Lijun") and as to approximately 84.73% by Mr. Wu Qin, Mr. Wu Zhihong, Mr. Huang Chao, Mr. Xie Yunfeng and Ms. Han Yumei who jointly held such Shares on trust for 4,965 individuals who are present and former employees or their estates of Xi'an Lijun and Rejoy Group Limited Liability Company (利君集團有限責任公司) ("Rejoy Group"). Mr. Wu Qin, Mr. Wu Zhihong, Mr. Huang Chao and Mr. Xie Yunfeng, all being executive Directors, are also directors of Prime United Industries Limited. Xi'an Lijun is a company established in the PRC with limited liability and wholly owned by the Company. Rejoy Group is a company established in the PRC with limited liability and wholly owned by Shaanxi Pharmaceutical Company (陝西省醫藥總公司), a state-owned enterprise under the direct supervision of the Shaanxi Provincial Government.
2. As at the Latest Practicable Date, 5,156,000 Shares were registered in the name of and beneficially owned by Success Manage International Limited, which was held as to approximately 37.9% by Mr. Wu Qin, an executive Director, as to approximately 10.0% by Mr. Wu Zhihong, an executive Director, as to approximately 10.0% by Mr. Huang Chao, an executive Director, as to approximately 3.1% by Mr. Xie Yunfeng, an executive Director, as to approximately 3.1% by Ms. Sun Xinglai, an executive Director, as to approximately 3.1% by Mr. Zhang Yabin, a member of the management of Xi'an Lijun and as to approximately 32.8% by Mr. Zhang Yabin on trust for 24 individuals, all of whom are part of the management of Xi'an Lijun. Mr. Wu Qin is deemed to be interested in all the Shares held by Success Manage International Limited.
3. Prime United Industries Limited and Bondwise Trading Limited were controlling shareholders of the Company as stated in the prospectus of the Company dated 2 December 2005.
4. As at the Latest Practicable Date, Bondwise Trading Limited was owned as to approximately 92.0% by Mr. Han Zhichao, approximately 6.4% by Mr. Zhao Lisheng, and approximately 1.6% by Ms. Chan Lok San, all of whom are beneficial shareholders of Liaoning Huabang Pharmaceutical Co., Ltd. (遼寧華邦醫藥有限公司) ("Liaoning Huabang") (formerly known as Pharmaceutical Sales Department of Northeast Pharmaceutical Group Company (東北製藥集團公司醫藥經營部)). Liaoning Huabang is a company established in the PRC with limited liability and its entire registered capital is wholly owned by the beneficial shareholders of Bondwise Trading Limited.
5. 110,000,000 Shares had been allotted and issued to China Pharmaceutical Company Limited as part of the consideration for the Acquisition, details of which are set out in the circular of the Company dated 11 June 2007.
6. Victory Rainbow Investment Limited was wholly owned by Grand Ocean Shipping Company Ltd., a company incorporated in the Republic of Liberia, which in turn was owned as to 50% by Ms. Chen Lin-Dong and 50% by Mr. Xu Ming as at the Latest Practicable Date.
7. Up to the Latest Practicable Date, approximately 490,067 Shares have been issued due to partial conversion of the Bonds. Upon full conversion of the Bonds, 39,205,419 Shares will be issued based on the Initial Conversion Price (subject to adjustment).

LETTER FROM MEGA CAPITAL

Assuming that (i) the Refreshed General Mandate will be approved at the EGM; (ii) no Shares will be repurchased and no new Shares will be issued during the period from the Latest Practicable Date to the date of the EGM (both dates inclusive); and (iii) upon full utilization of the Refreshed General Mandate, 80,198,013 Shares can be issued at maximum, representing 20% and approximately 16.7% of the issued share capital of the Company as at the date of the EGM and the then enlarged issued share capital (as increased by full utilization of the Refreshed General Mandate) of the Company respectively. As shown in the above table, the aggregate shareholding of the existing public Shareholders (excluding existing holders of the Bonds which has/have/will become Shareholders upon conversion of the Bonds) would decrease from approximately 25.4% to approximately 19.6% upon full utilization of the Refreshed General Mandate (assuming full conversion of the Bonds for illustration purpose and that no other Shares are issue and/or repurchased by the Company).

Taking into account that (i) the utilization of the Refreshed General Mandate will increase the amount of the Company's capital to an extent that may be raised from utilizing the Refreshed General Mandate and therefore provides the Company with another alternative of funding for business development and/or potential acquisitions as and when such opportunities arise; and (ii) the fact that the shareholding of all the Shareholders will be diluted to the same extent upon any utilization of the Refreshed General Mandate, we consider that the extent of potential dilution to the shareholding of the existing Shareholders is acceptable.

Shareholders should note that the General Mandate will be revoked to the extent not yet utilized upon approval of the Refreshed General Mandate at the EGM and the Refreshed General Mandate will be and continue to be in force until the earliest of (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held by law or the Articles of Association; and (iii) the revocation or variation by an ordinary resolution by the Shareholders in general meeting.

5. Terms of the Refreshed General Mandate

Pursuant to the Listing Rules, the Company will be required to seek prior consent of the Shareholders for any allotment, issue or grant of Shares or securities convertible into Shares or other rights to subscribe for Shares or such convertible securities, unless such allotment, issue or grant falls under the circumstances provided under rule 13.36(2) of the Listing Rules, including certain rights issue and open offer (subject to other requirements under the Listing Rules on the offer size and structure). Pursuant to rule 13.36(4) of the Listing Rules, an ordinary resolution will be proposed at the EGM to obtain approval from the Independent Shareholders to refresh the General Mandate so that the Directors will be entitled to exercise the powers of the Company to allot, issue and deal in Shares not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the relevant resolution.

LETTER FROM MEGA CAPITAL

Pursuant to rule 13.36(5) of the Listing Rules, in the case of a placing of securities for cash consideration, the Company may not issue any securities pursuant to the general mandate given under rule 13.36(2)(b) of the Listing Rules if the relevant price represents a discount of 20% or more to the benchmarked price of the securities as detailed in the Listing Rules unless otherwise allowed by the Stock Exchange. We consider that such restriction can serve as a measure to reasonably govern any future fund raising exercises carried out pursuant to the Refreshed General Mandate, thereby safeguarding the interest of the Company and the Shareholders.

RECOMMENDATION

Having considered the above principal factors, in particular,

1. the objectives of the Company to diversify its product portfolio and to strengthen its market position by means of acquisitions which result in the necessity for the Company to maintain a high degree of financing flexibility;
2. the enhancement in financing flexibility of the Company resulting from the granting of the Refreshed General Mandate to the Directors;
3. the acceptable extent of possible dilution to the shareholdings of the existing Independent Shareholders in the Company resulting from the issue of new Shares pursuant to the Refreshed General Mandate; and
4. the restriction imposed on the discount of issue price per Share under the Listing Rules which itself can serve as a protective measure to safeguard the interest of the Company and the Shareholders,

we are of the opinion that the proposed refreshment of the General Mandate by granting the Refreshed General Mandate to the Directors is in the interest of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution approving the revocation of the General Mandate to the extent not yet utilized prior to the passing of the relevant resolution and the granting of the Refreshed General Mandate at the EGM.

Yours faithfully,

For and on behalf of

Mega Capital (Asia) Company Limited

Terence Hong

Managing Director

Alfred Wong

Executive Director

NOTICE OF EXTRAORDINARY GENERAL MEETING



利君國際醫藥(控股)有限公司

Lijun International Pharmaceutical (Holding) Co., Ltd.

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 2005)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Lijun International Pharmaceutical (Holding) Co., Ltd. (the “Company”) will be held at Meeting Room of Office 2809, 28th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on 28 August 2007 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

1. **“THAT** subject to and conditional upon the listing sub-committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Subdivided Shares (as defined in paragraph (a) of this resolution below):
 - (a) with effect from 29 August 2007, every one existing issued and unissued shares of HK\$0.10 each in the capital of the Company be subdivided into five shares of HK\$0.02 each (the “Subdivided Shares”) and the Subdivided Shares shall rank pari passu in all respects with each other and have the rights and privileges and be subject to the restrictions contained in the Articles of Association of the Company (the “Share Subdivision”); and
 - (b) any one or more of the directors of the Company be and is hereby authorised generally to do all things appropriate to effect and implement the Share Subdivision.”
2. **“THAT** upon the Share Subdivision taking effect, the authorized share capital of the Company be increased from HK\$100,000,000 divided into 5,000,000,000 shares of HK\$0.02 each to HK\$200,000,000 divided into 10,000,000,000 shares of HK\$0.02 each by the creation of an additional 5,000,000,000 new shares of HK\$0.02 each PROVIDED THAT in the event the Share Subdivision failed to take effect by 29 August 2007, with effect from such date, the authorized ordinary share capital of the Company shall be increased from HK\$100,000,000 divided into 1,000,000,000 shares of HK\$0.1 each to HK\$200,000,000 divided into 2,000,000,000 shares of HK\$0.1 each by the creation of an additional 1,000,000,000 new shares of HK\$0.1 each.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

3. **“THAT:**

- (a) subject to the following provisions of this resolution, the exercise by the directors of the Company (the “Directors”) during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and otherwise deal with additional shares in the capital of the Company or securities convertible into shares, or options, warrants or similar rights to subscribe for any shares, and to make or grant offers, agreements or options which would or might require the exercise of such powers, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved in substitution for and to the exclusion of any existing authority previously granted;
- (b) the approval in sub-paragraph (a) of this resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in this resolution, otherwise than pursuant to (i) a Rights Issue (as defined below); or (ii) an issue of shares as scrip dividend pursuant to the articles of association of the Company from time to time; or (iii) an issue of shares pursuant to the exercise of warrants to subscribe for shares of the Company or under any option scheme or similar arrangement for the time being adopted for the grant or issue to employees, participants and stakeholders of the Company and/or any of its subsidiaries of shares or rights of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution and the said approval shall be limited accordingly;
- (d) subject to the passing of sub-paragraphs (a), (b) and (c) of this resolution, any prior approvals of the kind referred to in paragraphs (a), (b) and (c) of this resolution which had been granted to the Directors and which are still in effect be and are hereby revoked (without prejudice to any valid exercise of such general mandate prior to the passing of this resolution); and
- (e) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company to be held; and
 - (iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting; and
- (f) “Rights Issue” means an offer of shares open for a period fixed by the Directors to the holders of shares of the Company on the register on a fixed record date in proportion to their holdings of such shares as at the date (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or stock exchange in, any territory applicable to the Company).”
4. “**THAT** subject to the passing of the ordinary resolution numbered 3 as set out in the notice of this meeting, the general mandate granted to the directors of the Company (the “Directors”) and for the time being in force to exercise the powers of the Company to allot shares in the capital of the Company be and is hereby extended by the addition to the aggregate nominal amount of the share capital which may be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal amount of the shares in the share capital of the Company since the granting of the said general mandate pursuant to the exercise by the Directors of the powers of the Company to repurchase such shares, provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution.”
5. “**THAT** Mr. Qu Jiguang be and is hereby re-elected as an executive director of the Company with immediate effect.”
6. “**THAT** Mr. Duan Wei be and is hereby re-elected as an executive director of the Company with immediate effect.”
7. “**THAT** Mr. Wang Zhizhong be and is hereby re-elected as an executive director of the Company with immediate effect.”
8. “**THAT** Ms. Zhang Guifu be and is hereby re-elected as an executive director of the Company with immediate effect.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

9. “**THAT** Mr. Wang Yibing be and is hereby re-elected as an independent non-executive director of the Company with immediate effect.”

On behalf of the Board

Wu Qin

Chairman

Hong Kong 10 August 2007

Notes:

1. Any member entitled to attend and vote at the Meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more Shares may appoint more than one proxy to attend and vote on his behalf. A proxy need not be a member of the Company.
2. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority must be delivered to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1806 - 07, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
3. Where there are joint holders of any Share of the Company, any one of such persons may vote at any meeting, either in person or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
4. As at the date of the notice, the executive Directors are Mr. Wu Qin, Mr. Qu Jiguang, Mr. Wu Zhihong, Mr. Huang Chao, Mr. Xie Yunfeng, Ms. Sun Xinglai, Mr. Wang Xian Jun, Mr. Duan Wei, Mr. Wang Zhizhong, Ms. Zhang Guifu, the non-executive Director is Mr. Liu Zhiyong, and the independent non-executive Directors are Mr. Wang Yibing, Mr. Leung Chong Shun and Mr. Chow Kwok Wai.