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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)

CONTINUING CONNECTED TRANSACTIONS

SUMMARY

Reference is made to the continuing connected transactions as described in pages 128-139 in the Company's prospectus dated 2 December 2005.

As the anticipated amount of the purchase of raw materials and packaging materials from the Rejoy Technology Group in 2007 is expected to exceed the de minimis threshold under Rule 14A.33(3) of the Listing Rule and there were new continuing transactions, namely the sale and distribution of the Group's products, conducted between the Rejoy Technology Group and Shijiazhuang No. 4 Pharmaceutical Co., Ltd., a subsidiary of New Orient investments Limited, which is a subsidiary newly acquired by the Company in June 2007. Pursuant to Rule 14A.36 of the Listing Rules, the Company is required to re-comply with Rules 14A.35(3) of the Listing Rules. The Company therefore, entered into the Master Sale Agreement and Master Purchase Agreement on 20 December 2007 with Rejoy Technology, the issued share capital of which is held as to 100% by the beneficial shareholders of Prime United Industries Limited, the Controlling Shareholder, pursuant to which (1) the Group agrees to sell and the Rejoy Technology Group agrees to purchase and distribute products of the Group and (2) the Rejoy Technology Group agrees to sell and the Group agrees to purchase raw materials and packaging materials from Rejoy Technology Group for the production and packaging of the products of the Group, on a term of three years commencing from 1 January 2007 and ending on 31 December 2009, renewable upon the agreement by the parties.

As each of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules is less than 2.5%, these transactions and their annual caps are subject to the reporting and announcement requirements and are exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the continuing connected transactions as described in pages 128-139 in the Company's prospectus dated 2 December 2005.

It was disclosed in the prospectus that the Company had the following connected transactions with the Rejoy Technology Group:

- 1) purchase of packaging materials from Rejoy Packaging and the payments to be made by the Group to Rejoy Packaging will not exceed HK\$1,000,000;
- 2) purchase of raw materials from Rejoy Baichuan and the payments to be made by the Group to Rejoy Baichuan will not exceed HK\$1,000,000;
- 3) a purchase and distribution agreement was entered into between Xian Lijun and Rejoy Baichuan dated 16 October 2005 pursuant to which Xian Lijun agreed to sell and Rejoy Baichuan agreed to purchase and distribute products of Xi'an Lijun for a term of three years commencing from 1 January 2005 and ending on 31 December 2007 and the annual cap for the year ending 2007 is RMB 25,500,000.

As the anticipated amount of the purchase of raw materials and packaging materials from the Rejoy Technology Group in 2007 is expected to exceed the de minimis threshold under Rule 14A.33(3) of the Listing Rule and there were new continuing transactions, namely the sale and distribution of the Group's products, conducted between the Rejoy Technology Group and Shijiazhuang No. 4 Pharmaceutical Co., Ltd., a wholly-owned subsidiary of New Orient investments Limited, which is a wholly-owned subsidiary newly acquired by the Company in June 2007. Pursuant to Rule 14A.36 of the Listing Rules, the Company is required to re-comply with Rules 14A.35(3) of the Listing Rules. The Company therefore, entered into the Master Sale Agreement to supersede the agreement mentioned in item 3 above and the Master Purchase Agreement with details set out below:

MASTER SALE AGREEMENT

Date: 20 December 2007

Parties: (1) the Company; and

(2) Rejoy Technology, the issued share capital of which is held as to 100% by the beneficial shareholders of Prime United Industries Limited*, the Controlling Shareholder and is accordingly a connected person of the Company

Term: 1 January 2007 to 31 December 2009, renewable upon the agreement by the parties.

- * Prime United Industries Limited is held as to about 2.43% by Mr. Wu Qin, an executive Director, as to about 2.43% by Mr. Wu Zhihong, an executive Director, as to about 2.41% by Mr. Huang Chao, an executive Director, as to about 4% by Mr. Xie Yunfeng, an executive Director, as to about 4% by Ms. Han Yamei, a member of the management of Xi'an Lijun, and as to about 84.73% by Mr. Wu Qin, Mr. Wu Zhihong, Mr. Huang Chao, Mr. Xie Yunfeng and Ms. Han Yumei who jointly hold such shares on trust for 4,965 individuals who are present and former employees or their respective estates of Xi'an Lijin and Rejoy Group Limited Liability Company, a company established in the PRC with limited liability and 100% owned by Shaanxi Pharmaceutical Company, a state-owned enterprise under the direct supervision of the Shaanxi Provincial Government. Mr. Wu Qin, Mr. Wu Zhihong, Mr. Huang Chao and Mr. Xie Yunfeng, the executive Directors, are also directors of the Prime United Industries Limited.

Other terms

Pursuant to the Master Sale Agreement, the Group agreed to sell and the Rejoy Technology Group agreed to purchase and distribute products of the Group. The Rejoy Technology Group purchases products from the Group and distributes such products to other distributors and end customers. The selling prices of the Group's products sold to the Rejoy Technology Group should be determined in accordance with the market prices and terms and that the Group charges the Rejoy Technology Group for the products at prices no less favourable than those charged to independent third parties and on terms no less favorable than those the Group can obtain from independent third parties, subject to an annual cap of RMB 21.5 million for each of the three financial years ending 31 December 2009.

For the two years ended 31 December 2006 and the eleven months ended 30 November 2007, the Group's sale to the Rejoy Technology Group amounted to approximately RMB9,043,000, RMB19,515,000 and RMB15,695,000 respectively. The proposed annual cap is determined on the basis of the Group's historical revenue generated from the Rejoy Technology Group and the estimated growth in the Group's total sales for the three years ending 31 December 2009.

MASTER PURCHASE AGREEMENT

Date: 20 December 2007

Parties: (1) the Company; and
(2) Rejoy Technology, the issued share capital of which is held as to 100% by the beneficial shareholders of Prime United Industries Limited, one of the Controlling Shareholders and is accordingly a connected person of the Company

Term: 1 January 2007 to 31 December 2009, renewable upon the agreement by the parties.

Other terms

Pursuant to the Master Purchase Agreement, the Rejoy Technology Group agrees to sell and the Group agrees to purchase raw materials and packaging materials from the Rejoy Technology Group for the production and packaging of the products of the Group. The prices and terms of the Master Purchase Agreement are as per market and shall be no less favourable than market prices and terms.

The Group pays Rejoy Technology Group for the raw materials and packaging materials at prices no less favourable than those paid to independent third parties and on terms no less favourable than those the Group can obtain from other comparable independent third parties, subject to an annual cap of RMB 5 million for each of the three financial years ending 31 December 2009. For each of the two years ended 31 December 2006 and the eleven months ended 30 November 2007, the total amounts payable by the Group to the Rejoy Technology Group for the purchase of raw materials and packaging materials amounted to approximately RMB785,000, nil* and RMB1,180,000 respectively. The proposed annual cap is based on the trend of historic transactions between the Group and the Rejoy Technology Group in 2007 and the estimated growth in the production capacity for the three years ending 31 December 2009.

* The Rejoy Technology Group was just one of the suppliers of the Group and accounted for only a very small percentage of the total purchase of Lijun Group. The purchase of the Group from the Rejoy Technology Group also largely depends the production need of the products of the Group. Hence, there was no purchase of raw materials and packaging materials by the Group from the Rejoy Technology Group for the year ended 31 December 2006.

REASONS FOR THE ENTERING INTO THE MASTER SALE AGREEMENT AND MASTER PURCHASE AGREEMENT

The Group is one of the leading pharmaceutical manufacturers in the PRC, and is principally engaged in the research, development, manufacture and sale of a wide range of pharmaceutical products which can be broadly categorized into finished medicines and bulk pharmaceuticals.

The Rejoy Technology Group is principally engaged in investment, retail and distribution of pharmaceutical, chemical and packaging products.

The Rejoy Technology Group has been one of the Group's distributors in Xi'an and the Group has purchased raw materials and packaging materials from the Rejoy Technology Group on an ongoing basis. Save as the reasons disclosed in the "Background" section above, the Directors believe that it is also crucial to maintain the stability in supply and quality of the raw materials and packaging materials for the existing and future production needs of the Group and the distribution of the Group's products. In view of the past purchasing and distribution experience, the Directors are of the view that the Rejoy Technology Group can effectively fulfill the Company's high requirement in supply stability and product quality as well as the distribution effectiveness. It is important to the Group's day-to-day operations and financial performance to maintain a stable trading relationship with the Rejoy Technology Group through the entering into the Master Purchase Agreement and Master Sale Agreement.

The terms of the Master Purchase Agreement and Master Sale Agreement are made on an arm's length basis in the ordinary and usual course of business of the Group and are on normal commercial terms which are no less favourable than terms available to or from independent third parties. The Directors (including the independent non-executive Directors) are of the view that the terms of the Master Purchase Agreement and Master Sale Agreement and the corresponding annual caps thereof are fair and reasonable and in the interest of the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The transactions contemplated under the Master Sale Agreement and Master Purchase Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As each of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules is less than 2.5%, these transactions and their annual caps are subject to the reporting and announcement requirements only and are exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and phrases shall have the following meanings:

“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
“connected person”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries, including but not limited to Xian Lijun Pharmaceutical Co., Ltd. and Shijiazhuang No. 4 Pharmaceutical Co., Ltd.
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Purchase Agreement”	the master purchase agreement to be entered into between the Company and Rejoy Technology in relation to the purchase of raw materials and packaging materials from the Rejoy Technology Group at market prices for a term of up to 31 December 2009
“Master Sale Agreement”	the master sale agreement to be entered into between the Company and Rejoy Technology in relation to the sale and distribution of the Group's products at market prices for a term of up to 31 December 2009
“PRC”	the People's Republic of China which for the purpose of this announcement, excludes Hong Kong

“Rejoy Baichuan”	Rejoy Baichuan Medicines Chemical Engineering Co., Ltd., a subsidiary of Rejoy Technology
“Rejoy Packaging”	Xi’an Rejoy Packaging Materials Co., Ltd., a subsidiary of Rejoy Technology
“Rejoy Technology”	Xi’an Rejoy Technology Investment Co. Ltd.
“Rejoy Technology Group”	Rejoy Technology and its subsidiaries, including but not limited to Rejoy Baichuan Medicines Chemical Engineering Co., Ltd. and Xi’an Rejoy Packaging Materials Co., Ltd.
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xi’an Lijun”	Xian Lijun Pharmaceutical Co., Ltd., a wholly owned subsidiary of the Company

By order of the Board
Lijun International Pharmaceutical (Holding) Co., Ltd.
Wu Qin
Chairman

Hong Kong, 20 December 2007

As at the date of this announcement, the Board comprises Mr. Wu Qin, Mr. Qu Jiguang, Mr. Wu Zhihong, Mr. Huang Chao, Mr. Xie Yunfeng, Ms. Sun Xinglai, Mr. Wang Xian Jun, Mr. Duan Wei, Mr. Wang Zhizhong, Ms. Zhang Guifu as executive Directors, Mr. Liu Zhiyong as non-executive Director, and Mr. Wang Yibing, Mr. Leung Chong Shun and Mr. Chow Kwok Wai as independent non-executive Directors.