THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker, or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Lijun International Pharmaceutical (Holding) Co., Ltd. (the "**Company**"), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or the bank , stockbroker or other agent through whom the sale or transfer was effected for transmission.

利君國際醫藥(控股)有限公司

Lijun International Pharmaceutical (Holding) Co., Ltd.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2005)

MAJOR AND CONNECTED TRANSACTION — DISPOSAL OF ENTIRE ISSUED SHARE CAPITAL OF XI'AN LIJUN PHARMACEUTICAL CO., LTD.

Financial adviser to the Company

BNP PARIBAS
CORPORATE & INVESTMENT BANKING

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

PLATINUM
Securities

A notice convening the EGM to be held at 2:00 p.m. on Friday, 10 October 2014 at Rooms 2101-02, 21st Floor, Harbour Centre, 25 Harbour Road, Hong Kong is set out on pages 44 to 45 of this circular. If you are not able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders of the Company from attending and voting in person at the EGM or any adjourned meeting if they so wish.

22 September 2014

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In this circular, unless the context otherwise requires, the following words and expressions shall have the following meaning when used herein:

"Announcement"	the announcement of the Company 29 August 2014
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Company"	Lijun International Pharmaceutical (Holding) Co., Ltd. (利君國際醫藥(控股)有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"Completion Date"	31 October 2014, or any other later date as may be agreed by the Company and the Purchaser
"Connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	HK$772,000,000
"CPCL"	China Pharmaceutical Company Limited
"Directors"	director(s) of the Company (including independent non-executive director(s))
"Disposal"	disposal of entire equity interest of the Target Company under the Disposal Agreement
"Disposal Agreement"	the conditional sale and purchase agreement dated 29 August 2014 between the Company as vendor and the Purchaser in relation to the disposal of the entire equity interest of the Target Company
"EGM"	an extraordinary general meeting to be convened by the Company to consider and, if thought fit, approve the Disposal by the Independent Shareholders
"Escrow Account"	an escrow account in the name of the Company to be held with a licensed bank in the PRC, and operated by the Company and the Purchaser jointly, for payment of tax arising from the Disposal
"Group"	the Company and its subsidiaries

"GMP"	GMP stands for "Good Manufacturing Practice". It is the national standard imposed on pharmaceutical production enterprises. The 2010 version of the GMP (the "new GMP") came into force on 1 January 2014 for injection-type drugs such as infusion, and those companies who do not receive the new GMP certification will not be allowed to continue production. The new GMP will come into effect for other products (such as tablets and capsules) on 1 January 2016, and those companies who do not receive the new GMP certification will not be allowed to continue production. Certificates are issued by the PRC's Food and Drug Administration. GMP is issued in order to ensure the quality of drugs produced. It is designed to minimize the risk of failure in the pharmaceutical production process. GMP has a particular emphasis on product quality and safety, and it covers all aspects of the manufacturing process, having specific requirements on the raw materials, personnel, facilities, equipment, production processes, equipment transportation, and quality control etc. GMP is designed to help companies improve their work environment, to detect problems in the production process and to make improvements.
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the board committee comprising all independent non-executive Directors, namely Mr. Wang Yibing, Mr. Leung Chong Shun and Mr. Chow Kwok Wai which has been established by the Board for the purpose of advising the Independent Shareholders in relation to the Disposal
"Independent Financial Adviser"	Platinum Securities Company Limited, a licensed corporation under the SFO, to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and Independent Shareholders in respect of the transaction contemplated under the Disposal Agreement

"Independent Shareholder(s)"	Shareholder(s) other than (i) Mr. Wu, Mr. Xie, Prime United and any of their associates; (ii) any Shareholders with a material interest in the Disposal or the transactions contemplated therein
"Independent Third Party(ies)"	third party(ies) who is/are independent of and not connected with the Company and its connected persons
"Land and Buildings"	land and buildings situated at 中國陝西省西安市漢城南路 (Hancheng Nanlu, Xi'an City, Shannxi Province, PRC) owned by the Target Company
"Latest Practicable Date"	19 September 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Wu"	Mr. Wu Qin, the previous chairman and executive director of the Company who resigned as such on 4 June 2014. He is also a director of the Target Company
"Mr. Xie"	Mr. Xie Yunfeng, a previous executive director of the Company who resigned as such on 4 June 2014
"Prime United"	Prime United Industries Limited, an investment holding company incorporated in British Virgin Islands with limited liability, a previous substantial shareholder of the Company. Prime United is held as to about 8.86% by Mr. Wu, as to about 4% by Mr. Xie, as to about 2.41% by Mr. Huang Chao, a director of the Target Company and as to about 84.73% by Mr. Wu, Mr. Xie and Mr. Huang Chao who jointly hold such shares on trust for approximately 3,000 individuals who are present and former employees or their respective estates of the Target Company and Rejoy Group. Mr. Wu, Mr. Xie and Mr. Huang Chao are also directors of Prime United
"PRC"	the People's Republic of China
"Purchaser"	United Investments Group Limited (聯合投資集團有限公司), a company incorporated in Samoa

"Rejoy Group"	利君集團有限責任公司(Rejoy Group Limited Liability Company), a company incorporated in PRC with limited liability and 100% owned by State-owned Assets Supervision and Administration Commission of the People's Government of Xi'an
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	ordinary share(s) of HK$0.02 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	西安利君製藥有限責任公司 (Xi'an Lijun Pharmaceutical Co., Ltd.), a foreign-invested company incorporated in the PRC with limited liability currently 100% owned by the Company

For the purpose of illustration, figures in Renminbi are translated into Hong Kong dollars at the approximate exchange rate of RMB0.79533 to HK$1.0000. In addition, all the English translation of the Chinese names of the companies established in the PRC are also for illustration purpose only.

利君國際醫藥(控股)有限公司
Lijun International Pharmaceutical (Holding) Co., Ltd.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2005)

Executive Directors:
Mr. Qu Jiguang
Mr. Wang Xianjun
Mr. Duan Wei

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 GT, Grand Cayman
KY1-1111, Cayman Islands

Head office and principal place of business in Hong Kong:
Rooms 2101-02, 21st Floor
Harbour Centre, 25 Harbour Road
Wanchai, Hong Kong

22 September 2014

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION — DISPOSAL OF ENTIRE ISSUED SHARE CAPITAL OF XI'AN LIJUN PHARMACEUTICAL CO., LTD.

INTRODUCTION

Reference is made to the Announcement whereby the Board announced that, on 29 August 2014, the Company as vendor entered into the Disposal Agreement with the Purchaser, pursuant to which the Company conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire equity interest in the Target Company at a cash consideration of HK$772,000,000. Further, as agreed by the parties to the Disposal Agreement, the Target Company will declare a dividend of an amount equivalent to RMB80,000,000 (equivalent to approximately HK$100,587,178) before Completion and such dividend will belong to the Company. The combined proceeds to be received by the Company pursuant to the transaction will be approximately HK$872,587,178.

As one or more of the applicable percentage ratios in respect of the Disposal are higher than 25% but below 75%, the Disposal constitutes a major transaction for the Company and is subject to the notification, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Mr. Wu and Mr. Xie are ex-directors of the Company within the past 12 months. They are two of the three directors of Prime United, the controlling shareholder of the Purchaser. As such, the Disposal is a connected transaction for the Company.

The purpose of this circular is to give you, among other things, (i) further particulars of the Disposal, (ii) the financial information of the Group, (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal, (iv) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Disposal, and (v) the notice of the EGM.

THE DISPOSAL AGREEMENT

Date

29 August 2014

Parties

Vendor:	Lijun International Pharmaceutical (Holding) Co., Ltd.（利君國際醫藥(控股)有限公司）
Purchaser:	United Investments Group Limited（聯合投資集團有限公司）, an investment holding company newly established for the transaction and is 76.24% owned by Prime United, 19.06% owned by Mr. Wu, and 4.70% owned by an independent third party which is an individual businessman.

Mr. Wu and Mr. Xie were directors of the Company within the past 12 months. They are two of the three directors of Prime United, the controlling shareholder of the Purchaser. As such, the Disposal is a connected transaction for the Company.

Asset to be disposed of

The Company agreed to sell and the Purchaser agreed to purchase the entire equity interest in the Target Company together with all rights attaching thereto, including all rights to any dividend or other distribution declared, made or paid on or after Completion Date. Details of the principal activities and financial information of the Target Company are set out in the paragraph headed "Information on the Target Company" below.

Consideration and Payment Terms

The Consideration to be received by the Company pursuant to the Disposal Agreement will be HK$772,000,000 in the following manner:

(i) on the execution day of the Disposal Agreement, in which case, the Purchaser has paid HK$200,000,000 as deposit;

(ii) on the day of the approval of the Disposal by the relevant and applicable supervising authorities of registration of the Target Company, the Purchaser will pay HK$263,200,000; and

(iii) within three months from Completion, the Purchaser will pay the balance of the Consideration of HK$308,800,000 to the Company. The parties agreed that the Land and Buildings will be pledged to the Company on or before 31 October 2014 to secure this payment.

Further, as agreed by the parties to the Disposal Agreement, the Target Company will further declare and distribute a dividend of an amount equivalent to RMB80,000,000 (equivalent to approximately HK$100,587,178) within one week from the execution of the Disposal Agreement and such dividend will belong to the Company. The combined proceeds to be received by the Company pursuant to the transaction will be approximately HK$872,587,178. The dividend of RMB80,000,000 has been declared and paid by the Target Company on 5 September 2014.

The Consideration was determined after arm's length negotiation between the Purchaser and the Vendor with reference to, among other things, the historical financial performance of the Target Company including its revenue, net profit and net assets value of the Target Company based on the unaudited management accounts of the Target Company.

The Purchaser, on behalf of the Target Company, will be responsible for communications with the PRC tax authority regarding the tax arising from the Disposal. Within 14 days from the execution of the Disposal Agreement, the Purchaser will pay RMB23,600,000 into the Escrow Account. Any shortfall between such amount and the actual tax amount will be provided by the Purchaser whereas any surplus amount in the account will belong to the Purchaser.

Conditions precedent

Completion of the Disposal Agreement is conditional upon the fulfillment of all of the following conditions precedent:

(a) the passing by the Independent Shareholders of an ordinary resolution approving the Disposal Agreement and the transactions contemplated thereunder in a manner as required by the Stock Exchange or under the Listing Rules, the bye-laws of the Company and any applicable laws and regulations; and

(b) the approval of the Disposal by the relevant and applicable commerce supervising authorities of the Target Company.

The above conditions precedent cannot be waived. In the event that the any of the above conditions precedent has not been fulfilled on or prior to 31 October 2014 (or any later date as may be agreed by the parties), neither the Company nor the Purchaser shall be bound to proceed with the sale and purchase of the equity interest in the Target Company and the Disposal Agreement shall be terminated and none of the parties shall have any obligations and liabilities towards each other save for any antecedent breach of the Disposal Agreement.

Completion

Subject to the conditions precedent having been satisfied, Completion of the Disposal Agreement shall take place on the Completion Date following fulfillment of the above conditions precedent (or such other date as agreed between the parties).

INFORMATION OF THE GROUP

The Group is one of the leading pharmaceutical manufacturers in the PRC, and is principally engaged in the research, development, manufacturing and selling of a wide range of pharmaceutical products.

INFORMATION OF THE TARGET COMPANY

The Target Company is one of the principal subsidiaries of the Company. It is located in the Xi'an City of Shannxi Province, the PRC and has a registered capital of RMB330,000,000. The Target Company is engaged in the development, manufacture and distribution of antibiotics, non-antibiotics finished medicines and bulk pharmaceuticals in the PRC. According to the unaudited management accounts of the Target Company, its net asset value was approximately HK$809,180,000 as at 31 July 2014.

The following sets out a summary of the unaudited major financial information of the Target Company for the two years ended 31 December 2012 and 2013 and six months ended 30 June 2014 prepared in accordance with the Hong Kong Financial Reporting Standards:

	Six months ended 30 June 2014 (unaudited) *HK$ ('000)*	**Year ended 31 December 2013 (unaudited)** *HK$ ('000)*	**Year ended 31 December 2012 (unaudited)** *HK$ ('000)*
Turnover	530,730	1,022,059	1,012,510
Profit before Tax	47,221	51,186	50,070
Profit after Tax	40,674	44,005	43,705
Total assets	1,455,105	1,378,110	1,334,574
Total liabilities	509,008	427,880	383,455
Net assets	946,097	950,230	951,119

The Target Company has distributed a total dividend of RMB120,000,000 (equivalent to approximately HK$150,880,766) since 30 June 2014.

FINANCIAL EFFECT OF THE DISPOSAL

Upon the completion of the Disposal, the Target Company will cease to be a subsidiary of the Company, and its financial results will cease to be consolidated into the accounts of the Company. After deducting all relevant expenses, the Company will receive net cash proceeds of approximately HK$840,000,000 from the Disposal. Please also refer to the section headed "Use of Proceeds" section below. After deduction of necessary professional fees and all related expenses for the Disposal, and with reference to the unaudited financial results of the Target Company as at 31 July 2014, the expected gain on the Disposal and the distribution of the dividend prior to the Completion will be approximately HK$30 million, which is calculated by deducting the total consideration of the Disposal of approximately HK$772,000,000 by (i) the unaudited net asset value of the Target Company as at 31 July 2014 of approximately HK$809 million, adjusted by the approximately RMB80 million (approximately equivalent to HK$100.59 million) dividend declared and paid on 5 September 2014; and (ii) the estimated transaction costs and expected income tax of approximately HK$33 million.

Assuming the Disposal has been completed on 31 July 2014 and taking into account the RMB80 million (approximately HK$100.59 million) dividend received, the Group's profit for the seven months' period ended 31 July 2014 would be increased by approximately HK$30 million, and the Group's total assets and total liabilities as at 31 July 2014 would be decreased by approximately HK$675 million and HK$705 million respectively.

USE OF PROCEEDS

Subject to Completion and approval by the Shareholders, part of the proceeds received from the Disposal will be determined by the Board as a special dividend during the first half of 2015, currently estimated to be approximately HK$510 million or dividend per Share of approximately HK$0.17 per Share. It is also intended that approximately HK$250 million will be used in the development of the intravenous infusion solution business, by expanding the capacity of the intravenous infusion solution production from the current 1.5 billion bottles per year to 2.0 billion bottles per year by the end of 2015. The remainder of the proceeds of approximately HK$112 million will be allocated as general working capital.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is one of the leading pharmaceutical manufacturers in the PRC, and is principally engaged in the research, development, manufacturing and selling of a wide range of pharmaceutical products. In recent years, the growth of the business of the Target Company has been stagnant. The contribution made by the Target Company to the Company compared with the resources consumed by the Target Company has not been on the same level as that from the intravenous infusion solution business, and therefore has dragged down the financial performance of the Company as a whole. In view of this, the Disposal is expected to allow the Company to reallocate resources to focus on business lines with higher growth potential.

The Target Company will need to relocate its plants in order to meet the new GMP requirements, which is expected to cost approximately RMB600 million. The Company considers that it is not in the best interests of the Company to make such substantial investment into the Target Company with relatively lower operational efficiencies and growth potential. Instead, it is the Company's strategic development plan to further develop its intravenous infusion solution business, in particular the high margin/high growth non-PVC soft bags and other new products.

Lastly, the Company believes that the Disposal will enhance Shareholders' value by receiving a significant amount of proceeds to develop its strategic business while providing cash return to the Shareholders through the special dividend.

In view of the above reasons and benefits, the Directors (including the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser) are of the view that entering into Disposal Agreement by the Company is in the interests of the Company and the Shareholders as a whole and the terms of the Disposal Agreement are on normal commercial terms and in the ordinary and usual course of business, and are fair and reasonable. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM.

IMPLICATIONS UNDER THE LISTING RULES

The Group has not engaged into any previous transactions which were related to the Disposal or with the Purchaser in the past 12 months which would otherwise require aggregation under Rule 14.22 of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Disposal are higher than 25% but below 75%, the Disposal constitutes a major transaction for the Company and is subject to the notification, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Mr. Wu and Mr. Xie were directors of the Company within the past 12 months. They are two of the three directors of Prime United, the controlling shareholder of the Purchaser. As such, the Disposal is a connected transaction for the Company. As no existing Directors are interested in the Disposal, none of them have abstained from voting on the board resolutions approving the Disposal.

Mr. Wu holds 18,504,000 Shares, representing approximately 0.63% of the issued share capital of the Company, and 24,000,000 Share options, representing approximately 0.81% of the issued share capital of the Company before enlargement by full exercise of such Share options. Mr. Xie does not hold any Shares or Share options. Mr. Wu and Mr. Xie and their respective associates will abstain from voting on the proposed resolution to approve the ordinary resolution in respect of the Disposal Agreement and the transactions contemplated thereunder at the EGM. There are no other persons who need to abstain from voting on the ordinary resolution at the EGM.

THE EGM

A notice convening a extraordinary general meeting of the Company to be held at Rooms 2101-02, 21st Floor, Harbour Centre, 25 Harbour Road, Hong Kong on 10 October 2014 at 2:00 p.m. is set out on pages 44 to 45 of this circular for the purpose of considering and, if thought fit, passing the relevant resolution in respect of, the Disposal Agreement and the transactions contemplated thereunder.

If you are not able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders of the Company from attending and voting in person at the EGM or any adjourned meeting if they so wish.

RECOMMENDATION

The Directors believe that the terms of the Disposal Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolutions approving the Disposal Agreement and the transactions contemplated thereunder at the EGM.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 33 to 34 of this circular which contains its recommendation to the Independent Shareholders on the Disposal Agreement and the transactions contemplated thereunder.

Your attention is also drawn to the letter of advice received from the Independent Financial Adviser which contains, among other things, its advice to the Independent Board Committee and the Independent Shareholders in relation to the Disposal Agreement and the transactions contemplated thereunder, and the principal factors and reasons considered by it in concluding its advice. The letter from the Independent Financial Adviser is set out on pages 14 to 32 of this circular.

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices and the notice of the EGM set out in this circular.

By Order of the Board
Lijun International Pharmaceutical (Holding) Co., Ltd.
Chan Ka Kit
Company Secretary

The following is the text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purpose of incorporation into this circular.

PLATINUM Securities Company Limited

21/F LHT Tower
31 Queen's Road Central
Hong Kong

Telephone	(852) 2841 7000
Facsimile	(852) 2522 2700
Website	www.platinum-asia.com

22 September 2014

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION — DISPOSAL OF ENTIRE ISSUED SHARE CAPITAL OF XI'AN LIJUN PHARMACEUTICAL CO., LTD.

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Disposal contemplated under the Disposal Agreement. Details of the Disposal are contained in the circular of the Company dated 22 September 2014 (the "Circular"). Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

In our capacity as the Independent Financial Adviser, our role is to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Disposal contemplated under the Disposal Agreement are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; and to give independent advice to the Independent Board Committee and the Independent Shareholders.

In formulating our opinion, we have relied on the information and facts supplied to us by the Directors and/or management of the Company. We have reviewed, among other things: (i) the Disposal Agreement; (ii) the announcement of the Company dated 29 August 2014; (iii) the unaudited financial information of the Target Company for the three years ended 31 December 2013 ("FY2011", "FY2012" and "FY2013"); (iv) the unaudited financial information of the business segment of intravenous infusion solution and others (the "Infusion Products Business") for FY2011 to FY2013; (v) the annual report of the Company for the year ended 31 December 2012 (the "2012 Annual Report") (vi) the annual report of the Company for the year ended 31 December 2013 (the "2013 Annual Report"); and (vii) the interim results announcement of the Company for the six months ended 30 June 2014 (the "2014 Interim Results").

We have assumed that all information, facts, opinions and representations contained in the Circular are true, complete and accurate in all material respects and we have relied on the same. The Directors have confirmed that they take full responsibility for the contents of the Circular and have made all reasonable inquiries that no material facts have been omitted from the information supplied to us.

We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy or completeness of the information of all facts as set out in the Circular and of the information and representations provided to us by the Directors and/or management of the Company. Furthermore, we have no reason to suspect the reasonableness of the opinions and representations expressed by the Directors and/or management of the Company which have been provided to us. In line with normal practice, we have not, however, conducted a verification process of the information supplied to us, nor have we conducted any independent in-depth investigation into the business and affairs of the Company. We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our opinion regarding the Disposal.

During the past two years, Platinum Securities Company Limited had no past engagement with the Company. We are independent from, and are not associated with the Company or any other party to the Disposal, or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules and accordingly, are considered eligible to give independent advice on the Disposal. We will receive a fee from the Company for our role as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Disposal. Apart from this normal professional fee payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company or any other party to the Disposal or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules.

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Wang Yibing, Mr. Leung Chong Shun, and Mr. Chow Kwok Wai, has been established by the Board to advise the Independent Shareholders as to whether the terms of the Disposal contemplated under the Agreement are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating and giving our independent financial advice to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors:

1. Background of the Disposal

On 29 August 2014, the Company and the Purchaser entered into the Disposal Agreement, pursuant to which it conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire equity interest in the Target Company at a consideration of HK$772,000,000. Further, as agreed by the parties to the Disposal Agreement, the Target Company will declare a dividend of an amount equivalent to RMB80,000,000 (equivalent to approximately HK$100,587,178) before Completion and such dividend will belong to the Company. The combined proceeds to be received by the Company pursuant to the transaction will be approximately HK$872,587,178.

2. Information on the Target Company

As stated in the letter from the Board in the Circular, the Target Company is one of the principal subsidiaries of the Company. It is located in the Xi'an City of Shannxi Province, the PRC and has a registered capital of RMB330,000,000 as at the Latest Practicable Date. The Target Company is engaged in the development, manufacture and distribution of antibiotics, non-antibiotics finished medicines and bulk pharmaceuticals in the PRC (the "Antibiotic and Generic Drug Business"). According to the unaudited management accounts of the Target Company, its net asset value was approximately HK$809,180,000 as at 31 July 2014.

3. Reasons for and benefits of the Disposal

(i) Divest the low growth and low margin Antibiotic and Generic Drug Business amidst continually challenging operating environment

As stated in the letter from the Board in the Circular, the performance of the Antibiotic and Generic Drug Business has been unsatisfactory primarily due to the severe market competition and decrease in product selling price. In particular, the operation of the Antibiotic and Generic Drug Business of the Company has continuously been experiencing lower sales growth and net income margin, as compared to the Infusion Products Business.

Set out in Table 1 below are the unaudited financial results of the Antibiotic and Generic Drug Business for FY2011 to FY2013, as provided by the Company for the purpose of this Circular.

Table 1: Financial analysis of the Antibiotic and Generic Drug Business

(expressed in HK$ million)	**FY2011** *(unaudited)*	**FY2012** *(unaudited)*	**FY2013** *(unaudited)*
Turnover	1,119	1,013	1,022
Net Profit	61	44	44
Turnover annual growth	*n/a*	*-9.5%*	*0.9%*
Net income margin	*5.5%*	*4.3%*	*4.3%*

Source: Financial information of the Antibiotic and Generic Drug Business provided by the Company

As illustrated in Table 1 above, the turnover of the Antibiotic and Generic Drug Business decreased at 9.5% in FY2012 and increased at only 0.9% in FY2013. As discussed with the management of the Company, slowdown of growth in Antibiotic and Generic Drug Business's turnover was mainly attributable to decrease in sales of antibiotics finished products, due to price control and volume control by the PRC government. Nevertheless, the reliance of the Group's sales on antibiotics products continued to decrease. Sales proportion of antibiotics products to total Group's turnover decreased from 51.9% in FY2011 to 37.2% in FY2013, which shows a gradual decrease of reliance in this business segment by the Group in the three years that we reviewed.

In addition, the net income margin of the Antibiotic and Generic Drug Business decreased from approximately 5.5% in FY2011 to approximately 4.3% in FY2013, which is comparatively low to the Infusion Products Business as discussed in Table 2 below. The management of the Company considers without significant improvement in operating environment (e.g. relieve of price control and volume control by the PRC government), the Antibiotic and Generic Drug Business may continue to operate at a low net income margin.

Given that (i) the slowdown of growth in the Antibiotic and Generic Drug Business; (ii) the Antibiotic and Generic Drug Business possesses low net income margin, as compared to the Infusion Products Business; and (iii) the future performance and prospects of the Antibiotic and Generic Drug Business is expected to continually be challenging as a result of severe market competition and decrease in product selling price due to price control and volume control by the PRC government, we concur with the management of the Company that the Disposal will divest the low growth and low margin Antibiotic and Generic Drug Business amidst continually challenging operating environment.

(ii) Reallocate resources to focus on business lines with higher growth potential, in particular the high margin and high growth non-PVC soft bags and other new products

As stated in the letter from the Board in the Circular, the Infusion Products Business primarily sells (i) Non-PVC soft bags; (ii) plastic (PP) bottles; and (iii) glass bottles and others, which are widely used in hospital across the PRC.

Set out in Table 2 below are the unaudited financial results of the Infusion Products Business for FY2011 to FY2013, as provided by the Company for the purpose of this Circular.

Table 2: Financial analysis of the Infusion Products Business

(expressed in HK$ million)	**FY2011** *(unaudited)*	**FY2012** *(unaudited)*	**FY2013** *(unaudited)*
Turnover	1,036	1,418	1,723
Net profit	139	274	390
Turnover annual growth	*n/a*	*36.9%*	*21.5%*
Net income margin	*13.4%*	*19.3%*	*22.6%*

Source: Financial information of the Infusion Products Business provided by the Company

As illustrated in Table 2 above, the turnover of the Infusion Products Business increased rapidly at approximately 36.9% in FY2012 and 21.5% in FY2013. As discussed with the management of the Company, rapid growth in Infusion Products Business's turnover was mainly attributable to the increasing demand in the high quality intravenous infusion solution products in the PRC, in particular Non-PVC soft bags and plastic (PP) bottles. Sales proportion of intravenous infusion solution and other products to total Group's turnover increased from 48.1% in FY2011 to 62.8% in FY2013, which shows increasing importance of this business segment to the Group in the three years that we reviewed.

In addition, the Infusion Products Business recorded a net income margin of 13.4% in FY2011, 19.3% in FY2012 and 22.6% in FY2013. Apart from increasing amount of revenue contribution to the Group's total revenue by the Infusion Products Business (48.1% in FY2011 to 62.8% in FY2013), net income margin of the Infusion Products Business also showed significant improvement in the three years ended 31 December 2013. As disclosed in 2013 Annual Report, management of the Company considered that the intravenous infusion solution business will be one of the growth drivers of the Group in coming years.

Given the strong performance of the Infusion Products Business, we concur with the management of the Company that the Disposal will allow the Company to focus its resources on the fast growing and high margin Infusion Products Business.

(iii) Relieve from substantial capital investment in the Target Company

After enquiry with the management of the Company, we understand that the Target Company would have to relocate its plants in order to meet the new GMP requirements for pharmaceutical production business in the PRC before the end of 2015, which is expected to cost approximately RMB 600 million. In consideration of the annual capital expenditure of the Company for FY2013 of approximately HK$903 million, we consider that the funds need for relocation of the Target Company is significant and may negatively affect the Company's plan to expand Infusion Products Business. We concur with the management of the Company that such relocation is merely for compliance purpose and will not improve the profitability of the Target Company. Therefore, the Disposal will save the substantial amount of investment for the Company and enable it to deploy such financial resources to further develop its Infusion Products Business.

(iv) Expand the capacity and maximise production efficiency in the production factory located in Shijiazhuang for Infusion Products Business

Currently, the Group has the highest sales revenue in intravenous infusion solution on single factory basis in the PRC. We are advised by the management of the Company that they will use part of the net proceeds to invest in a capacity expansion plan of production factory located in Shijiazhuang for Infusion Products Business. Currently, the total production capacity of the factory is 1.5 billion bags and management of the Company expects to further grow the capacity of the factory in order to accommodate increasing demand. After such expansion, the factory located in Shijiazhuang of the Group will continue to maintain the position as the highest sales revenue in intravenous infusion solution on single factory basis in the PRC.

(v) Enhance the Company's growth, operating profitability and returns

As stated in the letter from the Board in the Circular, the Group is primarily engaged in two lines of business, being the Antibiotic and Generic Drug Business and the Infusion Products Business.

Set out in Table 3 below is a combination of the unaudited financial results of the Antibiotic and Generic Drug Business and the Infusion Products Business on a standalone basis which excludes (i) intra-segment elimination; and (ii) profit and loss account of the Company for the purpose of this Circular.

Table 3: Comparison analysis of the Antibiotic and Generic Drug Business and the Infusion Products Business

FY2013 *(expressed in HK$ million)*	**Antibiotic and Generic Drug Business** *(unaudited)*	**Infusion Products Business** *(unaudited)*	**Total** *(unaudited)*
Turnover	1,022	1,723	2,745
Net Profit	44	390	434
Total assets	1,427	3,654	5,081
Total equity	952	1,913	2,865
Turnover annual growth	*0.9%*	*21.5%*	*12.9%*
Net income margin	*4.3%*	*22.6%*	*15.8%*
Return on assets ("ROA")	*3.1%*	*10.7%*	*8.5%*
Return on equity ("ROE")	*4.6%*	*20.4%*	*15.1%*

Source: Financial information of the Antibiotic and Generic Drug Business and the Infusion Products Business provided by the Company

As illustrated in Table 3 above, the turnover growth of the Infusion Products Business of approximately 21.5% was higher than that of the overall total (i.e. Antibiotic and Generic Drug Business and Infusion Products Business) of approximately 12.9% in FY2013 due to the fact that the Antibiotic and Generic Drug Business was only able to achieve a single digit growth of less than 1% in FY2013. The net income margin, ROA and ROE of the Infusion Products Business of approximately 22.6%, 10.7% and 20.4%, respectively, were all higher than those of the overall total of approximately 15.8%, 8.5% and 15.1%, respectively in FY2013 due to the fact that the Antibiotic and Generic Drug Business was comparatively less profitable.

Given that the inclusion of the unsatisfactory performance of the Antibiotic and Generic Drug Business understates the current performance of the Group, we concur with the management of the Company that the Disposal will enhance the Company's growth, operating profitability and returns.

(vi) Improve the Company's capital structure

As mentioned below in the section headed "Financial impacts of the Disposal", as at 30 June 2014, the Target Company had a total bank borrowings balance of approximately HK$315 million, included as part of the overall bank borrowings balance of the Group of approximately HK$1,431.1 million. Upon completion of the Disposal, the Target Company will cease to be a subsidiary of the Company and therefore the bank borrowing balance of the Group will reduce by HK$315 million. Furthermore, upon receipt of the net proceeds from the Disposal (although part of it will be declared by the Board as a special dividend (the "Proposed Special Dividend")), the cash level of the Group will also increase. With other circumstances remain unchanged, the overall level of borrowings of the Group is expected to be reduced and the capital structure of the Group is expected to be improved.

In light of the above, we are of the view that the reasons for and benefits of the Disposal are in the interests of the Company and the Shareholders as a whole.

4. Principal terms of the Disposal

Set out below are the principal terms of the Disposal Agreement:

THE DISPOSAL AGREEMENT

(A) Date

29 August 2014

(B) Parties

(i) Vendor: The Company
(ii) Purchaser: United Investments Group Limited

The Purchaser is an investment holding company newly established for the transaction and is 76.24% owned by Prime United, 19.06% owned by Mr. Wu, and 4.70% owned by an independent third party which is an individual businessman.

(C) Assets to be disposed of

The Company agreed to sell and the Purchaser agreed to purchase the entire equity interest in the Target Company together with all rights attaching thereto, including all rights to any dividend or other distribution declared, made or paid on or after Completion Date. Details of the principal activities and financial information of the Target are set out in the section headed "Information on the Target Company" above.

(D) Consideration and payment terms

The Consideration to be received by the Company pursuant to the Disposal Agreement will be HK$772,000,000 in the following manner:

(a) on the execution day of the Disposal Agreement, in which case, the Purchaser will pay HK$200,000,000 as deposit;

(b) on the day of the approval of the Disposal by the relevant and applicable supervising authorities of registration of the Target Company, the Purchaser will pay HK$263,200,000; and

(c) within three months from Completion, the Purchaser will pay the balance of the Consideration of HK$308,800,000 to the Company. The parties agreed that the Land and Buildings will be pledged to the Company on or before 31 October 2014 to secure this payment.

Further, as agreed by the parties to the Disposal Agreement, the Target Company will further declare and distribute a dividend of an amount equivalent to RMB80,000,000 (equivalent to approximately HK$100,587,178) within one week from the execution of the Disposal Agreement and such dividend will belong to the Company. The combined proceeds to be received by the Company pursuant to the transaction will be approximately HK$872,587,178. The dividend of RMB80,000,000 has been declared and paid by the Target Company on 5 September 2014.

The Consideration was determined after arm's length negotiation between the Purchaser and the Vendor with reference to, among other things, the historical financial performance of the Target Company including its revenue, net profit and net assets value of the Target Company based on the unaudited management accounts of the Target Company.

The Purchaser, on behalf of the Target Company, will be responsible for communications with the PRC tax authority regarding the tax arising from the Disposal. Within 14 days from the execution of the Disposal Agreement, the Purchaser will pay RMB23,600,000 into the Escrow Account. Any shortfall between such amount and the actual tax amount will be provided by the Purchaser whereas any surplus amount in the account will belong to the Purchaser.

(E) Conditions precedent

Completion of the Disposal Agreement is conditional upon the fulfilment of all of the following conditions precedent:

(i) the passing by the Independent Shareholders of an ordinary resolution approving the Disposal Agreement and the transactions contemplated thereunder in a manner as required by the Stock Exchange or under the Listing Rules, the bye-laws of the Company and any applicable laws and regulations; and

(iii) the approval of the Disposal by the relevant and applicable commerce supervising authorities of the Target Company.

The above conditions precedent cannot be waived. In the event that the any of the above conditions precedent has not been fulfilled on or prior to 31 October 2014 (or any later date as may be agreed by the parties), neither the Company nor the Purchaser shall be bound to proceed with the sale and purchase of the equity interest in the Target Company and the Disposal Agreement shall be terminated and none of the parties shall have any obligations and liabilities towards each other save for any antecedent breach of the Disposal Agreement.

(F) Completion

Subject to the conditions precedent having been satisfied, Completion of the Disposal Agreement shall take place on the Completion Date following fulfilment of the above conditions precedent (or such other date as agreed between the parties).

5. Comparison with comparable companies

In our assessment, we have considered price-to-earnings ratio (the "P/E"), which is a commonly used benchmark in valuing a company engaged in pharmaceutical business. We did not use the price-to-book ratio (the "P/B") in our analysis as the valuation of pharmaceutical companies was usually developed based on earnings but not its asset base, according to the industry practice.

As stated above, the Company will be entitled to receive the Consideration of HK$772,000,000 and a dividend of approximately HK$100,587,178 to be distributed within one week from the execution of the Disposal Agreement. The combined proceeds to be received by the Company pursuant to the transaction will be approximately HK$872,587,178 (the "Combined Proceeds"). The P/E of the Target Company as implied by the Combined Proceeds is approximately 19.8 times (the "Implied P/E"), which is calculated by dividing the Combined Proceeds of approximately HK$872.6 million by the unaudited profit after tax of the Target Company for FY2013 of approximately HK$44.0 million. We did not take into account the annualised profit after tax of the Target Company for the year ending 31 December 2014 in our calculation of the Implied P/E, because the annualised profit after tax involves prediction of the earnings of the Target Company for the six months ending 31 December 2014 which we consider not appropriate for our analysis. We also noted that the unaudited profit of the Target Company for the six months ended 30 June 2013 was approximately HK$30 million while the unaudited profit of the Target Company for FY2013 was approximately HK$44 million, which is confirmed by the management of the Company that the Target Company usually recorded higher profits in the first half of the financial years, therefore we consider that there is no linear relationship between the unaudited profit of the Target Company for the six months ended 30 June 2014 and the profit of the Target Company for the year ending 31 December 2014. Moreover, in our comparable companies analysis on P/E below, we calculate the P/Es of comparable companies based on their full year profit as extracted from their latest annual reports instead of their annualised profit based on their unaudited interim results. As a result, we consider that it is more appropriate to use the profit after tax of the Target Company for FY2013 to calculate the Implied P/E and perform our comparable companies analysis.

The Group is engaged the research, development, manufacturing and selling of a wide range of finished medicines and bulk pharmaceutical products, and the Target Company is engaged in the development, manufacture and distribution of antibiotics, non-antibiotics finished medicines and bulk pharmaceuticals in the PRC. In order to assess the fairness and reasonableness of the Combined Proceeds, we have attempted to identify comparable companies that (i) are currently listed on the Stock Exchange of Hong Kong; (ii) are engaged in and generated majority, which accounted for over 50%, of the revenue from the pharmaceutical business in Hong Kong and the PRC; and (iii) have market capitalisation ranged from HK$9 billion to HK$15 billion as at the Latest Practicable Date, having taken into account the market capitalisation of the Company as at the Latest Practicable Date of HK$12 billion (the "Comparable Companies"). The Comparable Companies have been selected exhaustively based on the above criteria, which have been identified, to the best of our endeavours, in our research through public information.

The following table sets out the details of the Comparable Companies:

Table 4 – Comparable Companies analysis

Company name	**Ticker**	**Market capitalisation**	**P/E**	**Turnover growth rate**
		(HK$ million)	*(times)*	
		(Note 1)	*(Note 2)*	*(Note 3)*
China Traditional Chinese Medicine Co. Limited	570 HK	10,490	41.9	35.2%
Hua Han Bio-Pharmaceutical Holdings Limited	587 HK	10,088	45.2	33.7%
Tong Ren Tang Technologies Co. Ltd.	1666 HK	13,858	28.2	19.3%
China Shineway Pharmaceutical Group Limited	2877 HK	11,760	13.6	2.6%
		Maximum	45.2	35.2%
		Minimum	13.6	2.6%
		Average	32.2	22.7%
Target Company *(Note 4)*			19.8	0.9%

Source: Bloomberg and annual reports of the Comparable Companies

Notes:

1. The market capitalisations of the Comparable Companies are calculated based on their respective closing prices as the Latest Practicable Date and the total number of issued shares (including domestic shares as appropriate) as extracted from their respective latest filing with the Stock Exchange.

2. The P/Es of the Comparable Companies are calculated by dividing the market capitalisation of the respective Comparable Companies as at the Latest Practicable Date by the profit attributable to owners of the respective Comparable Companies as extracted from their respective latest published annual reports.

3. The turnover growth rates of the Comparable Companies are calculated by dividing the annual increase in turnover of the respective Comparable Companies by the turnover of the respective Comparable Companies for the preceding financial year as extracted from their respective latest published annual reports.

4. The P/E of the Target Company is the Implied P/E and turnover growth rate of the Target Company for FY2013 is disclosed in the Table 1.

As illustrated in Table 4 above, the P/Es of the Comparable Companies range from approximately 13.6 times to approximately 45.2 times (the "P/E Range"), with an average of approximately 32.2 times (the "Average P/E"). We note that the Implied P/E is within the P/E Range and lower than the Average P/E. As shown in Table 4, the turnover growth rates of the Comparable Companies range from approximately 2.6% to approximately 35.2% (the "Turnover Growth Range"), with an average of approximately 22.7% (the "Average Turnover Growth"). The turnover growth rate of the Target Company is significantly lower than the Average Turnover Growth and falls closer to the lower end of the Turnover Growth Range. The higher turnover growth rates of the Comparable Companies indicate stronger growth prospects of the Comparable Companies than that of the Target Company. As such, we are of the view that it is justifiable to value the Target Company according to a P/E close to the lower end of the P/E Range which is below the Average P/E. Therefore we consider that the Combined Proceeds are fair and reasonable taking into account the slow growth of the Target Company, thus in the interests of the Company and the Shareholders as a whole.

6. Disposal to United Investments Group Limited

We understand from the management of the Company that United Investments Group Limited, an investment holding company newly established for the transaction and is 76.24% owned by Prime United, 19.06% owned by Mr. Wu, and 4.70% owned by an independent third party.

Prime United is a company incorporated in British Virgin Islands with limited liability, a previous substantial shareholder of the Company. Prime United is held as to about 8.86% by Mr. Wu, as to about 4% by Mr. Xie, as to about 2.41% by Mr. Huang Chao, a director of the Target Company and as to about 84.73% by Mr. Wu, Mr. Xie and Mr. Huang Chao who jointly hold such shares on trust for approximately 3,000 individuals who are present and former employees or their respective estates of the Target Company and Rejoy Group. Mr. Wu, Mr. Xie and Mr. Huang Chao are also directors of Prime United.

As discussed with the management of the Company, we note that the management of the Company did not receive other offers for the sale of the Target Company and considered the Disposal to the Purchaser appropriate, mainly because Mr. Wu, Mr. Xie and Mr. Huang Chao have been responsible for the management and operation of the Target Company for over 15 years and have extensive experience in the management of and understanding about the Target Company. With reference to the announcement of the Company dated 4 June 2014, we note that Mr. Wu has resigned as an executive Director and chairman of the Board and Mr. Xie has resigned as an executive Director, therefore we concur with the management of the Company that as Mr. Wu and Mr. Xie left the Board, the Company may not be in the best position to manage and operate the Target Company. We also agree with the view of the management of the Company that the Disposal to the Purchaser could save time and effort to perform due diligence, and it is favourable to the Company that the Company is not required to make certain representations and warranties under the Disposal Agreement. As a result, we are of the view that it is reasonable to dispose the Target Company to the Purchaser, whose substantial shareholders have extensive experience in management and deep understanding of the Target Company.

7. Financial impacts of the Disposal

(i) Effect on the net asset value (the "NAV") and the NAV per Share

Upon the completion of the Disposal, the Target Company will cease to be a subsidiary of the Company, and their financial results will cease to be consolidated with the accounts of the Company. After deducting all relevant expenses, the Company will receive net cash proceeds of approximately HK$840,000,000 from the Disposal. In consideration of unaudited net asset value of the Target Company as at 31 July 2014 of approximately HK$809,180,000, we regard that the Disposal will increase the NAV and the NAV per Share of the Group accordingly.

As such, we consider the Disposal will have a positive effect on the NAV and NAV per Share of the Group.

(ii) Effect on the earnings

As disclosed in the 2014 Interim Results, the unaudited net profit of the Group for the six months ended 30 June 2014 was approximately HK$300.6 million, of which approximately HK$40.7 million was contributed by the Target Company. Taking into account the fact that the profit from the Target Company only represents about 13.5% to the total earnings of the Group for the six months ended 30 June 2014, we consider that the negative impact of the Disposal on the earnings of the Group will be limited.

On the other hand, after deduction of necessary professional fees and all related expenses for the Disposal, and with reference to the unaudited financial results of the Target Company as at 31 July 2014, the expected gain on the Disposal and the distribution of the dividend prior to the Completion will be approximately HK$30 million.

Furthermore, upon receipt of the net proceeds of the Disposal, the Group will allocate about HK$362 million of the net proceeds as the general working capital and for the business operation and development of the Company's strategic intravenous infusion solution business which higher growth potential and profit margin as discussed above. As a result, we consider the future earnings of the Group will be potentially improved.

In view of (i) limited impact after the Disposal on the future earnings of the Group as the Target Company only contributed about 13.5% to the total earnings of the Group for the six months ended 30 June 2014; (ii) expected gain on Disposal and the distribution of the dividend prior to the Completion; and (iii) stronger earnings prospect of the Group after deploy part of the net proceeds to develop more profitable Infusion Products Business, we consider that the Disposal will have a potential positive effect to the earnings of the Group.

(iii) Effect on the cash and working capital

As disclosed in the 2014 Interim Results, the Group had cash and cash equivalents and pledged bank deposits of approximately HK$475.7 million in total. Since the Company intends to apply the net proceeds from the Disposal partly for working capital purpose, the cash position and working capital of the Company will be strengthened upon completion of the Disposal.

As such, we consider the Disposal will have a positive effect on the cash position and the working capital of the Group.

(iv) Effect on the gearing

According to the unaudited financial information of the Target Company, as at 30 June 2014, the Target Company had a total borrowings balance of approximately HK$315 million, included as part of the total bank borrowings balance of the Group of approximately HK$1,431.1 million. Upon completion of the Disposal, the Target Company will cease to be a subsidiary of the Company and therefore the bank borrowing balance of the Group will reduce by HK$315 million. Furthermore, as disclosed in the letter from the Board, the Disposal is expected to generate a gain of approximately HK$30 million, which in turn increase equity level of the Group.

We also took into account the effect of the Proposed Special Dividend of approximately HK$510 million, which may reduce the equity level of the Group. We are of the view that the Disposal will still have a positive effect to the gearing ratio since the bank borrowing of the Group will be reduced in proportionate by a larger extent as compared to the reduction in equity level of the Group.

As such, we consider the Disposal will have a positive effect on the gearing of the Group.

In light of:

(a) the positive effect on the NAV and NAV per Share of the Group;

(b) the potential positive effect on the earnings of the Group;

(c) the positive effect on the cash position and the working capital of the Group; and

(d) the positive effect on the gearing of the Group,

we are of the view that the Disposal will have a positive financial effect on the Group and are in the interests of the Company and the Shareholders as a whole.

8. Proposed Special Dividend and use of proceeds

As stated in the letter from the Board in the Circular, subject to Completion and approval by the Shareholders, part of the proceeds received from the Disposal will be determined by the Board as a special dividend (the "Proposed Special Dividend") during the first half of 2015, currently estimated to be approximately HK$510 million or dividend per Share of approximately HK$0.17 per Share. We are of the view that the Proposed Special Dividend will provide immediate cash return to the Shareholders, in addition to the potential additional return generated from the development of the Company's strategic intravenous infusion solution business. As such, we consider that the Proposed Special Dividend is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

In addition, it is intended that approximately HK$250 million will be used in the development of the intravenous infusion solution business, by expanding the capacity of the intravenous infusion solution production from the current 1.5 billion bottles per year to 2.0 billion bottles per year by the end of 2015. We consider that expanding the Infusion Products Business is in line with the Company's strategy and may improve the profitability of the Company as discussed above. Therefore, we consider that the use of approximately HK$250 million out of the proceeds to develop the Infusion Products Business is in the interests of the Company and the Shareholders as a whole.

The remainder of the proceeds of approximately HK$112 million will be allocated as general working capital. In consideration of the working capital of the Group of approximately HK$355 million as at 30 June 2014, we consider that it is reasonable to allocate the remainder of the proceeds as general working capital.

RECOMMENDATION

We have considered the above principal factors and reasons and, in particular, having taken into account the following in arriving at our opinion:

(a) the reasons and benefits of the Disposal are in the interests of the Company and the Shareholders as a whole;

(b) the Combined Proceeds is fair and reasonable and are in the interests of the Company and the Shareholders as a whole;

(c) it is reasonable to dispose the Target Company to the Purchaser;

(d) the Disposal, on an overall basis, will have a positive financial effect on the Group and are in the interests of the Company and the Shareholders as a whole;

(e) the Proposed Special Dividend is fair and reasonable and is in the interests of the Company and the Shareholders as a whole; and

(f) the use of proceeds is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered the above, we are of the view that the terms of the Disposal contemplated under the Disposal Agreement are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Disposal contemplated under the Disposal Agreement.

Yours faithfully,
For and on behalf of
Platinum Securities Company Limited
Lenny Li
Director and Co-head of Corporate Finance

Mr. Lenny Li is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Platinum Securities Company Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and has over eight years of experience in corporate finance industry.

The following is the text of the letter of recommendation from the Independent Board Committee to the Independent Shareholders prepared for the purpose of inclusion in this circular.

利君國際醫藥(控股)有限公司
Lijun International Pharmaceutical (Holding) Co., Ltd.
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2005)

22 September 2014

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION — DISPOSAL OF ENTIRE ISSUED SHARE CAPITAL OF XI'AN LIJUN PHARMACEUTICAL CO., LTD.

We refer to the circular of the Company to the Shareholders dated 22 September 2014 (the "Circular"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

As independent non-executive Directors, we have been appointed to form this Independent Board Committee to advise you as to whether, in our opinion, the terms of the Disposal Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Company and the Independent Shareholders as a whole are concerned.

Platinum Securities Company Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of the Disposal Agreement and the transactions contemplated thereunder.

We wish to draw your attention to the letter from the Board, as set out on pages 5 to 13 of the Circular, and the letter of advice from the Independent Financial Adviser, as set out on pages 14 to 32 of the Circular, both of which provide details of the Disposal Agreement and the transactions contemplated thereunder.

Having considered the advice rendered by the Independent Financial Adviser and the principal factors and reasons taken into consideration by it in arriving at its advice, we are of the opinion that the terms of the Disposal Agreement and the transactions contemplated thereunder are in the interests of the Company and the Independent Shareholders as a whole and the terms of the Disposal Agreement and the transactions contemplated thereunder are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution which will be proposed at the EGM to approve the terms of the Disposal Agreement and transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
The Independent Board Committee of
Lijun International Pharmaceutical (Holding) Co., Ltd.

Mr. Wang Yibing	**Mr. Leung Chong Shun**	**Mr. Chow Kwok Wai**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

1. FINANCIAL INFORMATION OF THE GROUP

The consolidated financial information of the Group for each of the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 are disclosed in the annual reports of the Group for the years ended 31 December 2011 (pages 43 to 120), 2012 (pages 36 to 106) and 2013 (pages 31 to 102), and the interim report of the Group for the six months ended 30 June 2014 (pages 24 to 52), respectively.

Annual reports of the Group for the financial years ended 31 December 2011, 2012 and 2013 and the interim report for the period ended 30 June 2014 are published on both the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.lijun.com.hk) and which can be accessed by the direct hyperlinks below:

(a) the annual report of the Group for the financial years ended 31 December 2011:
http://www.hkexnews.hk/listedco/listconews/SEHK/2012/0402/LTN20120402912.pdf

(b) the annual report of the Group for the financial years ended 31 December 2012:
http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0411/LTN20130411263.pdf

(c) the annual report of the Group for the financial years ended 31 December 2013:
http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0424/LTN201404241420.pdf

(d) the interim report of the Group for the financial years ended 30 June 2014:
http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0919/LTN20140919237.pdf

2. INDEBTEDNESS OF THE GROUP

The following table illustrates the indebtedness of the Group as at 31 July 2014, being the latest practicable date for the purpose of ascertaining information contained in this indebtedness statement prior to the printing of this circular. HK$716,507,000 out of the Group's total borrowings are secured.

	HK$'000
Short-term borrowings	787,698
Current portion of long-term bank borrowings	91,864
Non-current portion of long-term bank borrowings	695,456
Total	1,575,018

Save as otherwise disclosed above, and apart from intra-group liabilities and normal trade payables, the Group did not have, at the close of business on 31 July 2014, any other debt securities issued and outstanding, or authorised or otherwise created but unissued, any other term loans, any other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase commitments, any other mortgages and charges or any guarantees or any finance lease commitments or material contingent liabilities.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the exchange rates prevailing at the close of business on 31 July 2014.

3. WORKING CAPITAL STATEMENT

Taking into account the effects of completion of the Disposal and the financial resources available to the Group, including internally generated funds and available banking facilities of the Group, the Directors are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular, in the absence of unforeseeable circumstances.

4. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013, being the date on which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE COMPANY

(1) Market-oriented to capture market opportunities, and increase market share and efficiency

The Group will continue to coordinate domestic and overseas markets, implement differentiating marketing measures, and continue to strengthen the bidding and market development of superior products such as soft bags (including double soft tube and double hard tube), vertical soft infusion bags and rinsing solutions, and further increase the profitability of infusion solution products, with the aim of maintaining the superiority of soft bag products in the industry.

The Group will continue to focus on the development of international markets, and commence foreign trade and processing businesses through various channels and forms by participating in important international trade fairs, and applying for international product registration and certification, in order to try to maintain a growth rate of over 30% for our foreign trade business.

(2) Acceleration of R&D to develop featured products and innovative technologies for sustainable business growth by leveraging on our advantages

The Group will continue to promote the coordinated development of intravenous infusion solutions and oral preparations, and expedite the implementation of product development projects to maintain our core competitive edge. The Group will strive to obtain clinical approval for Arbidol Hydrochloride Dry Suspension and 10 production permits for supplementary application for Compound Mannitol Injection and packaging materials for infusion drugs in this year. Meanwhile, the Group will increase new product reserve and improve product structure to boost business transformation and upgrade and new product industrialization, thereby strengthening our market competitiveness, and expanding our product variety and profit stream.

(3) Acceleration of project construction to provide support and protection for the Group's continuous development

In the second half of the current year, the two production lines for double-outlet soft bag infusion solutions under construction in the relocation and upgrade project of headquarters in the High-tech Development Zone has entered equipment commissioning phase. Conditions for certification application are expected to be fulfilled by the end of August, and GMP certification is expected to be completed in the fourth quarter. Projects on modernization of Chinese medicine extraction and upgrade of 1,000ml and 500ml PP plastic bottle infusion solution production lines are currently underway. The Group are working on equipment installation and commissioning. To pass the national GMP certification in 2014, the Group must maintain infusion solution production volume, quality and efficiency and consolidate our leading position in the industry by accelerating new project construction and old production line upgrade.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors and Chief Executives

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive of the Company and/or any of their respective associates had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange:

Long position in the Company

Name of Director	Capacity	Number of Shares held	Approximate percentage of issued share capital of the Company (%) *(Note 1)*
Mr. Qu Jiguang	Beneficial Owner	136,600,000	4.62%
	Interest of controlled corporation	722,510,000 *(Note 2)*	24.46%
		Total: 859,110,000	29.08%

Notes:

1. Based on 2,953,925,385 Shares issued as at 19 September 2014.

2. These Shares are held by CPCL, which is 72.93% owned by Mr. Qu Jiguang. Pursuant to the SFO, Mr. Qu Jiguang is deemed to be interested in these shraes. Mr Qu Jiguang is also a director of CPCL.

Save as disclosed above, no Director or proposed Director is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(b) Persons who have interests or short positions in the Shares or underlying Shares which is discloseable under Divisions 2 and 3 of Part XV of the SFO

Save as disclosed below, as at the Latest Practicable Date, no person, other than a Director or chief executive of the Company, had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

Long positions in the Shares:

Name of Shareholder	**Capacity**	**Total number of shares held**	**Approximate percentage of the Company's total issued share capital (%)** *(Note 1)*
China Pharmaceutical Company Limited	Beneficial owner	722,510,000 *(Note 2)*	24.46%
Value Partners Group Limited	Interest of controlled corporation	233,632,000 *(Note 3)*	7.91%
Value Partners Classic Fund	Beneficial owner	188,938,000 *(Note 4)*	6.40%

Notes:

1. Based on 2,953,925,385 Shares issued as at 19 September 2014.

2. These Shares are held by CPCL, which is 72.93% owned by Mr. Qu Jiguang. Pursuant to the SFO, Mr. Qu Jiguang is deemed to be interested in these shares. Mr Qu Jiguang is also a director of CPCL.

3. These Shares are held by the Funds under Value Partners Limited's management, which Value Partners Limited is wholly-owned by Value Partners Hong Kong Limited. Value Partners Hong Kong Limited is wholly-owned by of Value Partners Group Limited. Pursuant to the SFO, Value Partners Group Limited is deemed to be interested in these shares.

4. A fund managed by Value Partners Limited.

3. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

(i) There is no contract or arrangement entered into by any member of the Group, subsisting as at the Latest Practicable Date in which any of the Directors is materially interested and which is significant in relation to the business of the Group as a whole.

(ii) As at the Latest Practicable Date, none of the Directors or their respective associates had any interest, direct or indirect, in any assets which had been, since 31 March 2013, being the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

4. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, to the best knowledge and belief of the Directors after having made all reasonable enquiries, none of the Directors and their respective associates were considered to have any interests in businesses which competed or were likely, either directly or indirectly, with the businesses of the Group that need to be disclosed pursuant to Rule 8.10 of the Listing Rules.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, any service contract with the Company or any other member(s) of the Group (excluding contracts expiring or which may be terminated by the Company within a year without payment of any compensation (other than statutory compensation)).

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, claim or arbitration of material importance and there was no litigation, claim or arbitration of material importance known to the Directors to be pending or threatened against any member of the Group.

7. QUALIFICATIONS OF EXPERT

The qualifications of the expert who has given opinion in this circular are as follows:

Name	**Qualifications**
Platinum Securities Company Limited	A licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Platinum Securities Company Limited did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Platinum Securities Company Limited did not have any direct or indirect interests in any assets which have been acquired, disposed of or leased to, or which are proposed to be acquired, disposed of by or leased to, any member of the Group since 31 December 2013, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. CONSENT

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with copy of its letter and the references to its name included herein in the form and context in which they are included.

9. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years preceding the issue of this circular and are or may be material:

i. the Disposal Agreement.

10. GENERAL

i. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681 GT, Grand Cayman, KY1-1111, Cayman Islands. Its principal place of business is Rooms 2101-02, 21st Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.

ii. The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

iii. The secretary of the Company is Mr. Chan Ka Kit (CPA). Mr. Chan is a member of Hong Kong Institute of Certified Public Accountants.

iv. The English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection: during normal business hours from 9:30 a.m. to 5:30 p.m. (other than Saturdays, Sundays and public holidays) at the Company's principal place of business in Hong Kong at the address of Rooms 2101-02, 21st Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong from the date of this circular up to and including the date of the EGM:

i. the memorandum and articles of association of the Company;

ii. the material contract referred to in the section headed "Material Contracts" in this appendix;

iii. the annual reports of the Company for each of the two financial years ended 31 December 2013;

iv. the interim report of the Company of the six months ended 30 June 2014;

v. the letter from the Independent Financial Adviser;

vi. the letter from the Independent Board Committee;

vii. the written consent referred to in paragraph 8 in this appendix headed "Consent"; and

viii. this circular.

利君國際醫藥(控股)有限公司
Lijun International Pharmaceutical (Holding) Co., Ltd.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2005)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Lijun International Pharmaceutical (Holding) Co., Ltd. (the "**Company**") will be held at 2:00 p.m. on Friday, 10 October 2014 at Rooms 2101-02, 21st Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

"**THAT**:

(a) the agreement (the "**Disposal Agreement**", a copy of which is marked "A" and produced to the meeting and initialled by the chairman of the meeting for the purpose of identification) dated 29 August 2014 entered into between United Investments Group Limited（聯合投資集團有限公司）("**Purchaser**"), a company incorporated in Samoa the equity interest of which two previous directors of the Company are indirectly interested as described in the Company's circular dated 22 September 2014 to its shareholders, and the Company, pursuant to which the Company conditionally agreed to dispose of and the Purchaser conditionally agreed to acquire the entire equity interest of 西安利君製藥有限責任公司 (Xi'an Lijun Pharmaceutical Co., Ltd.), a foreign-invested company incorporated in the PRC with limited liability currently wholly-owned by the Company, at a consideration of HK$772,000,000 ("**Disposal**") and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) any one director of the Company be and is/are hereby authorised to do all such acts and things, to sign and execute all such documents, deeds, acts, matters and things, as the case may be in his discretion consider necessary, desirable or expedient to carry out and implement the Disposal Agreement and all the transactions contemplated thereunder into full effect; and

(c) conditional upon the completion of the Disposal Agreement, an amount that is equivalent to not less than 50% of the proceeds received from the Disposal be declared and paid by the Company as a special dividend out of the share premium account of the Company or other distributable reserves of the Company to shareholders of the Company whose names appear on the register of members of the Company on a record date to be fixed by the directors of the Company for determining the entitlements to such special dividend and that the directors of the Company be and are hereby authorised to determine, during the first half of 2015, the amount of and to implement the payment of such special dividend."

By Order of the Board
Lijun International Pharmaceutical (Holding) Co., Ltd.
Chan Ka Kit
Company Secretary

Hong Kong, 22 September 2014

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 but must be present in person to represent the shareholder.

2. Where there are joint holders of any Share, 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.

3. 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 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

4. Delivery of an instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.

5. If a "black" rainstorm warning signal or a tropical cyclone warning signal number 8 or above is in force in Hong Kong at any time between 12:00 noon and 5:00 p.m. on Friday, 10 October 2014, the meeting will not be held on that day. An announcement will be made in such event.

As at the date of this notice, the Board comprises Mr. Qu Jiguang, Mr. Wang Xianjun and Mr. Duan Wei as executive Directors, and Mr. Wang Yibing, Mr. Leung Chong Shun and Mr. Chow Kwok Wai as independent non-executive Directors.