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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution 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 to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

(1) PROPOSED BONUS ISSUE OF SHARES

(2) CHANGE IN BOARD LOT SIZE

**(3) PROPOSED TERMINATION OF EXISTING SHARE OPTION SCHEME
AND ADOPTION OF NEW SHARE OPTION SCHEME**

AND

(4) NOTICE OF EXTRAORDINARY GENERAL MEETING

The notice convening the extraordinary general meeting (“EGM”) of the Company to be held at 2:00 p.m. on 20 September 2012 at Office 2809, 28th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong is set out on pages 26 to 29 of this circular. A form of proxy for the EGM is also enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the office of the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so desire.

31 August 2012

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EXPECTED TIMETABLE

Set out below is an expected timetable for the Bonus Issue and change in board lot size:

Latest time for lodging transfers forms of Shares to qualify for attending and voting at the EGM	4:30 p.m. on Monday, 17 September 2012
Closure of the register of members for determining the identity of shareholders who are entitled to attend and vote at the EGM	Tuesday, 18 September 2012 to Thursday, 20 September 2012 (both days inclusive)
Latest time for lodging forms of proxy for the EGM	2:00 p.m. on Tuesday, 18 September 2012
EGM	2:00 p.m. on Thursday, 20 September 2012
EGM results announcement	Before 11:00 p.m. on Thursday, 20 September 2012
Last day for trading in Shares cum entitlements to the Bonus Issue	Friday, 21 September 2012
First day of trading in Shares ex-entitlements to the Bonus Issue	Monday, 24 September 2012
Latest time for lodging transfer forms of Shares to qualify for entitlements to the Bonus Issue	4:30 p.m. on Tuesday, 25 September 2012
Closure of register of members for determining the identity of shareholders who are entitled to the Bonus Issue	Wednesday, 26 September 2012 to Friday, 28 September 2012 (both days inclusive)
Record Date for determining the identity of shareholders who are entitled to the Bonus Issue	Friday, 28 September 2012
Free exchange of existing share certificates for new share certificates commences	Wednesday, 3 October 2012
Dispatch of certificates for the Bonus Shares	Tuesday, 16 October 2012
Last day for trading of Shares with existing board lot size of 5,000 Shares in the original counter	Tuesday, 16 October 2012

EXPECTED TIMETABLE

First day of dealings in the Bonus Shares on the Stock Exchange	Wednesday, 17 October 2012
Effective date of new board lot size of 2,000 Shares	Wednesday, 17 October 2012
Original counter for trading in existing board lot size of 5,000 Shares becomes a counter for trading in new board lot size of 2,000 Shares	9:00 a.m. on Wednesday, 17 October 2012
Temporary counter for trading in old board lot size of 5,000 Shares (in the form of existing share certificates) opens	9:00 a.m. on Wednesday, 17 October 2012
First day of parallel trading	9:00 a.m. on Wednesday, 17 October 2012
Temporary counter for trading old board lot closes	4:00 p.m. on Wednesday, 7 November 2012
Parallel trading (in the form of new and existing share certificates) ends	4:00 p.m. on Wednesday, 7 November 2012
Free exchange of existing share certificates for new share certificates ends	Friday, 9 November 2012

Notes:

All time and dates in this circular refer to Hong Kong local time and dates.

The expected timetable may be subject to changes by the Company and is subject to fulfillment of all conditions. The Company will make further announcements in compliance with the Listing Rules as appropriate if such changes are made.

DEFINITIONS

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

“Adoption Date”	the date on which the New Share Option Scheme is adopted by an ordinary resolution to be passed by the Shareholders at the EGM
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Bonus Issue”	the proposed issue of Bonus Shares on the basis of one Bonus Share for every five existing Shares held on the Record Date by the Shareholders
“Bonus Shares”	the new Shares to be allotted, issued and credited as fully paid-up Shares under the Bonus Issue
“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Ordinance”	means the Companies Ordinance (Chapter 32) of the Law of Hong Kong
“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 and the issued Shares of which are listed on the main board of the Stock Exchange
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held on Thursday, 20 September 2012 at 2:00 p.m. or any adjournment thereof

DEFINITIONS

“Eligible Person”	(a). any employee or proposed employee (whether full-time and including any executive director), consultants or advisers of or to the Company, any of its Subsidiaries or any entity (“Invested Entity”) in which the Group holds an equity interest; (b). any non-executive directors (including independent non-executive directors) of the Company, any of its Subsidiaries or any Invested Entity; (c). any supplier of goods or services to any member of the Group or any Invested Entity; (d). any customer of the Group or any Invested Entity; (e). any person or entity that provides research, development or other technological support to the Group or any Invested Entity; and (f). any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity, and for the purposes of the New Share Option Scheme, the Share Options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of Eligible Persons
“Excluded Shareholders”	those Overseas Shareholders whom the Board, after making enquiries pursuant to Rule 13.36(2)(a) of the Listing Rules, considers it necessary or expedient on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant body or stock exchange in that place not to extend the Bonus Issue to them
“Existing Share Option Scheme”	the existing share option scheme adopted by the Company pursuant to a resolution passed by the Shareholders at the extraordinary general meeting held on 16 October 2005
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	27 August 2012, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“New Share Option Scheme”	the 2012 share option scheme to be adopted by an ordinary resolution to be passed by the Shareholders at the EGM
“Overseas Shareholders”	holders of Shares whose addresses as shown on the register of members on the Record Date are in jurisdictions outside Hong Kong
“PRC”	the People’s Republic of China
“Qualifying Shareholders”	holders of Shares whose names are shown on the register of members of the Company on the Record Date (and not being Excluded Shareholders), who are entitled to participate in the Bonus Issue
“Record Date”	Friday, 28 September 2012, being the record date for determination of entitlements to the Bonus Issue
“RMB”	Renminbi, the lawful currency of the PRC
“Scheme Period”	the period commencing on the date on which the New Share Option Scheme is adopted by the Shareholders at the EGM and expiring at the close of business on the day immediately preceding the tenth anniversary thereof
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.02 each in the issued share capital of the Company
“Share Option(s)”	option(s) to subscribe for Share(s) pursuant to the Existing Share Option Scheme and the New Share Option Scheme (as the case may be)
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	means a company which is for the time being and from time to time a subsidiary (within the meaning of the Companies Ordinance) of the Company, whether incorporated in Hong Kong or elsewhere
“Substantial Shareholder”	has the meaning ascribed thereto under the Listing Rules
“%”	per cent

LETTER FROM THE BOARD



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. Wu Qin (*Chairman*)

Mr. Qu Jiguang

Mr. Xie Yunfeng

Mr. Huang Chao

Mr. Wang Xianjun

Mr. Duan Wei

Mr. Bao Leyuan

Ms. Gao Shuping

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:*

Office 2809, 28th Floor

Office Tower, Convention Plaza

1 Harbour Road, Wanchai

Hong Kong

31 August 2012

To the Shareholders

Dear Sir or Madam,

(1) PROPOSED BONUS ISSUE OF SHARES

(2) CHANGE IN BOARD LOT SIZE

**(3) PROPOSED TERMINATION OF EXISTING SHARE OPTION SCHEME
AND ADOPTION OF NEW SHARE OPTION SCHEME**

AND

(4) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

References are made to the announcement of the Company dated 21 August 2012 and the interim results announcement of the Company dated 21 August 2012. The purpose of this

LETTER FROM THE BOARD

circular is to provide you with further information on (1) the proposal for the Bonus Issue; (2) change in board lot size; (3) the proposed termination of the Existing Share Option Scheme and adoption of the New Share Option Scheme; and (4) a notice of EGM at which ordinary resolutions will be proposed to approve the Bonus Issue and the proposed termination of the Existing Share Option Scheme and adoption of the New Share Option Scheme.

PROPOSAL FOR THE BONUS ISSUE

References are made to the announcement of the Company dated 21 August 2012 and the interim results announcement of the Company dated 21 August 2012, in which the Board announced that it had resolved to propose a Bonus Issue to the Shareholders in recognition of the continual support of the Shareholders.

The Bonus Issue is proposed to be made to the Shareholders whose names appear on the register of members of the Company on the Record Date. The terms of the Bonus Issue are set out below:

Basis of Bonus Issue

Subject to the conditions as set out under the heading “Conditions of Bonus Issue” below, the Bonus Issue is proposed to be made on the basis of one Bonus Share for every five existing Shares held on the Record Date by the Shareholders. The Bonus Shares will be issued and credited as fully paid at par, by capitalization of such amount standing to the credit of the share premium account of the Company. On the basis of 2,441,604,488 existing Shares in issue as at the Latest Practicable Date, and assuming no further Shares will be issued or purchased before the Record Date, 488,320,897 Bonus Shares will be issued under the Bonus Issue (representing 20% of the issued share capital as at the Latest Practicable Date), and HK\$9,766,418 standing to the credit of the share premium account of the Company will be capitalized for paying up 488,320,897 Bonus Shares in full at par.

Record Date and closure of register of members

The Bonus Shares will be issued to the Qualifying Shareholders. Arrangement for the Excluded Shareholders are further elaborated below under the heading “Excluded Shareholders”.

The register of members of the Company will be closed from Wednesday, 26 September 2012 to Friday, 28 September 2012, both days inclusive, during which period no transfer of Shares will be effected. Shareholders whose names appear on the register of members of the Company on Friday, 28 September 2012 will be entitled to receive the Bonus Shares

LETTER FROM THE BOARD

(subject to Shareholders' approval at the EGM). In order to qualify for the Bonus Issue, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investors Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. (Hong Kong Time) on Tuesday, 25 September 2012. Bonus Shares will be allotted and issued to the Qualifying Shareholders on or around Tuesday, 16 October 2012, subject to Shareholders' approval at the EGM.

The exact total number of Bonus Shares to be issued under the Bonus Issue will not be capable of determination until the Record Date. The Company will make an announcement when the number of Bonus Shares is determined.

Reasons for the proposed Bonus Issue

In recognition of the continual support of the Shareholders, the Board decides to propose the Bonus Issue. In addition to that, the Directors believe that the Bonus Issue will enhance the liquidity of the Shares in the market and thereby enlarging the Shareholder and capital base.

Excluded Shareholders

As at the Latest Practicable Date, the Company has one Shareholder whose address as shown on the register of members of the Company is outside Hong Kong.

For those Overseas Shareholders, enquiry will be made by the Board pursuant Rule 13.36(2) (a) of the Listing Rules. Overseas Shareholders will not be allotted the Bonus Shares if the law of the jurisdiction at which their respective registered address is located prohibits the Company from allotting Bonus Shares to them, or requires the Company to comply with any requirements (such as the filing of any registration statement or prospectus or other special formalities) which the Directors consider to be impracticable. Instead, the Bonus Shares otherwise falling to be allotted to them will be sold in the market as soon as practicable after dealings in the Bonus Shares commence and the net proceeds of sale will be paid to the Shareholders affected. Where, however, the amount of the net proceeds payable to any such Shareholder is less than HK\$100, the net proceeds will be paid to the Company instead for its own benefit and will not be paid to the Shareholder affected.

Status of Bonus Shares

The Bonus Shares, upon issued, will rank *pari passu* with the Shares then existing in all respects, including the entitlement of receiving dividends and other distributions the record date for which is on or after the date of allotment and issue of those Bonus Shares.

LETTER FROM THE BOARD

Fraction of Bonus Shares

The total number of Bonus Shares to be issued to any Shareholders will be rounded down to a whole number, if there are any fractional entitlements of the Bonus Shares. Such fractional entitlements arising from the Bonus Issue (if any) will not be issued to the Shareholders, but will be cancelled by the Company.

Conditions of the Bonus Issue

The Bonus Issue is conditional upon:

- (i) the passing of an ordinary resolution by the Shareholders at the EGM approving the Bonus Issue; and
- (ii) the Stock Exchange granting the listing of, and permission to deal in, the Bonus Shares.

Application has been made to the Stock Exchange in respect of such listings of, and permission to deal in, the Bonus Shares. The Board does not propose to make application to any other stock exchanges for the listing of and permission to deal in, the Bonus Shares. The Shares in issue are listed on the Stock Exchange. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

Certificates for Bonus Shares

It is expected that certificates for the Bonus Shares will be posted on or around Tuesday, 16 October 2012 after all the conditions have been fulfilled at the risk of the Shareholders entitled thereto to their respective addresses shown on the register of members of the Company on the Record Date. Dealings in the Bonus Shares are expected to commence on Wednesday, 17 October 2012.

Trading arrangement

Subject to the granting of listing of, and permission to deal in, the Bonus Shares on the Stock Exchange, the Bonus Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in the CCASS with effect from the commencement date of dealings in the Bonus Shares or such other date as may be determined by HKSCC. Settlement of transactions between members of the Stock Exchange on any trading day is required to take

LETTER FROM THE BOARD

place in CCASS on the second trading day thereafter. All activities under the CCASS are subject to the General Rules of CCASS and CCASS Operation Procedures in effect from time to time.

It is expected that dealings in the Bonus Shares on the Stock Exchange will commence on Wednesday, 17 October 2012.

Stamp duty in Hong Kong will be payable in respect of dealings in the Bonus Shares.

CHANGE OF BOARD LOT SIZE

Subject to the fulfillment of the conditions of the Bonus Issue as set out in the section headed “Conditions of the Bonus Issue” above, the Board proposes to change the board lot size for trading of the Shares from 5,000 Shares to 2,000 Shares with effect from 9:00 a.m. on 17 October 2012.

The Shares are currently traded in board lots of 5,000 Shares and the market value per board lot of the Shares is HK\$10,950 (based on the closing price of HK\$2.19 per Share as quoted on the Stock Exchange on the Latest Practicable Date). Based on the closing price on the Latest Practicable Date, the theoretical ex-entitlement price per Share after the Bonus Issue is approximately HK\$1.825. Based on the theoretical ex-entitlement price per Share after the Bonus Issue and the proposed board lot size of 2,000 Shares, the theoretical ex-entitlement value per new board lot will be approximately HK\$3,650.

The change in board lot size will reduce the board lot value. The Directors are of the view that the reduction in board lot size may improve the liquidity of the Shares and broaden the Company’s shareholder base. The change in board lot size will not result in any change in the relative rights of the Shareholders. The Directors consider that this change in board lot size is in the interests of the Company and the Shareholders as a whole.

Subject to the Bonus Issue being effective, no odd board lot size of the Shares will be created as a result of the said change in board lot size (other than those already existed before such change becoming effective). No odd lot arrangement to match the sales and purchase of odd lots will be made.

LETTER FROM THE BOARD

EXCHANGE OF NEW SHARE CERTIFICATES

Shareholders may submit their existing share certificates in board lot of 5,000 Shares each to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, in exchange for new share certificates in board lot of 2,000 Shares each free of charge during business hours from Wednesday, 3 October 2012 to Friday, 9 November 2012, both days inclusive. Thereafter, any exchange of share certificates will only be accepted upon payment of a fee of HK\$2.50 (or such higher amount as may from time to time be specified by the Stock Exchange) for each new share certificate in board lot of 2,000 Shares each issued or each existing share certificate submitted, whichever number of share certificate involved is higher.

It is expected that the new share certificates will be available for collection from the Company's branch share registrar by the Shareholders within 10 Business Days after delivery of the existing share certificates to the Company's branch share registrar for exchange purpose. Save and except for the change in the number of Shares for each board lot and the change of the color of the share certificate from purple to yellow, new share certificate of Shares will have the same format as the existing share certificate. As from Wednesday, 17 October 2012, all new share certificates will be issued in board lot of 2,000 Shares each (except for odd lots or where the Company's branch share registrar is otherwise instructed). All existing share certificates in board lot of 5,000 Shares each will continue to be good evidence of legal title to the Shares and be valid for transfer, delivery and settlement purposes.

PROPOSED TERMINATION OF THE EXISTING SHARE OPTION SCHEME AND ADOPTION OF THE NEW SHARE OPTION SCHEME

The Existing Share Option Scheme

The Existing Share Option Scheme was adopted by the Company on 16 October 2005. Under the terms of the Existing Share Option Scheme, unless otherwise cancelled or amended, the Existing Share Option Scheme would remain in force for a period of 10 years from the date of its adoption. Apart from the Existing Share Option Scheme, the Company had no other subsisting share option scheme as at the Latest Practicable Date.

During the term of the Existing Share Option Scheme and up to the Latest Practicable Date, all the Share Options which may be granted under the Existing Share Option Scheme in accordance the scheme mandate limit of 140,000,000 Shares have been granted and of which 100,000,000 Shares of such Share Options so granted have been exercised. As at the Latest Practicable Date, there were 40,000,000 Shares of such Share Options so granted and remain outstanding under the Existing Share Option Scheme.

LETTER FROM THE BOARD

Termination of the Existing Share Option Scheme

According to the terms of the Existing Share Option Scheme, the Company may by resolution at a general meeting or by the Board at any time resolve to terminate the operation of the Existing Share Option Scheme and in such event, no further Share Option will be offered but the provisions of the Existing Share Option Scheme will remain in force to the extent necessary to give effect to the exercise of any Share Option granted prior to the termination or otherwise as may be required in accordance with the provisions of the Existing Share Option Scheme and Share Options granted prior to such termination will continue to be valid and exercisable in accordance with the Existing Share Option Scheme. The Board proposes to terminate the operation of the Existing Share Option Scheme and adopt the New Share Option Scheme before the Existing Share Option Scheme is due to expire in October 2015. It is proposed that subject to the approval by the Shareholders at the EGM of the adoption of the New Share Option Scheme and the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares which fall to be allotted and issued upon the exercise of the Share Options in accordance with the terms and conditions of the New Share Option Scheme, the operation of the Existing Share Option Scheme shall be terminated (such that no further Share Option could thereafter be offered under the Existing Share Option Scheme but in all other respects the provisions of the Existing Share Option Scheme shall remain in full force and effect) and the New Share Option Scheme will take effect.

Adoption of the New Share Option Scheme

The Board proposes the adoption of the New Share Option Scheme, which will be valid for 10 years from the Adoption Date.

The purpose of the New Share Option Scheme is to replace the Existing Share Option Scheme and to enable the Company to grant Share Options to the selected Eligible Persons, as incentives or rewards for their contribution or potential contribution to the development and growth of the Group. A summary of the principal rules of the New Share Option Scheme is set out in Appendix I to this circular.

The Board considers that the New Share Option Scheme will motivate more people to make contribution to the Group, facilitate the retention and the recruitment of high-calibre staff of the Group and it is in the interests of the Group as a whole for a broader categories of Eligible Persons to be given incentives to participate in the growth of, and make contribution to, the Group in the form of Share Options. Furthermore, the Board considers that the Eligible Persons will share common interests and objectives with the Group upon their exercise of the Share Options, which is beneficial to the long-term development of the Group. In addition, the adoption of the New Share Option Scheme is in line with modern commercial practice

LETTER FROM THE BOARD

that full-time or part-time employees, directors, management, advisers, consultants and shareholders of the Group and its affiliates be given incentives to work towards enhancing the value and attaining the long-term objectives of the Company and for the benefit of the Group as a whole. As such, the Directors consider that the adoption of the New Share Option Scheme is in the interest of the Company and the Shareholders as a whole. The provisions of the New Share Option Scheme will comply with the requirements of Chapter 17 of the Listing Rules.

The rules of the New Share Option Scheme provide that the Board may specify the Eligible Persons to whom Share Options shall be granted, the number of Shares subject to each Share Option and the date on which the Share Options shall be granted. The basis for determining the subscription price is also specified precisely in the rules of the New Share Option Scheme. There is no performance target specified in the New Share Option Scheme. The Directors consider that the aforesaid criteria and rules will serve to preserve the value of the Company and encourage Eligible Persons to acquire proprietary interests in the Company. The Company does not at present intend to appoint a trustee to the New Share Option Scheme.

As at the Latest Practicable Date, there were 2,441,604,488 Shares in issue. Assuming that no further Share will be allotted, issued or repurchased prior to the EGM, the total number of Shares that may fall to be allotted and issued after the resolution authorising the Directors to allot and issue up to 10% of the then issued share capital of the Company has passed at the EGM would be 244,160,448 Shares, representing approximately 10% of the total number of Shares in issue.

The Directors consider that it is not appropriate to state the value of the Share Options which may be granted under the New Share Option Scheme as if they had been granted as at the Latest Practicable Date. The Directors believe that any statement regarding the value of the Share Options as at the Latest Practicable Date will not be meaningful to the Shareholders, since the Share Options to be granted shall not be assignable, and no holder of the Share Options shall in any way sell, transfer, charge, mortgage or create any interest (legal or beneficial) in favour of any third party over or in relation to any Share Option.

In addition, any such valuation would have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions, including the subscription price, the exercise period, lock-up period (if any), interest rate, expected volatility and other variables. As no Share Option had been granted as at the Latest Practicable Date under the New Share Option Scheme, certain variables are not available for calculating the value of the Share Options thereunder, the Directors believe that any calculation of the value of the Share Options under the New Option Scheme as at the Latest Practicable Date based on a great number of speculative assumptions would not be meaningful and may be misleading to the Shareholders and the investors of the Company.

LETTER FROM THE BOARD

None of the Directors is a trustee of the New Share Option Scheme nor has a direct or indirect interest in the trustees of the New Share Option Scheme (if any).

Conditions precedent of the New Share Option Scheme

The adoption of the New Share Option Scheme is conditional upon:

- (i) the passing of ordinary resolution(s) by the Shareholders at the EGM to (1) approve and adopt the New Share Option Scheme; (2) authorise the Board to grant Share Options under the New Share Option Scheme; and (3) authorise the Board to allot and issue Shares pursuant to the exercise of any Share Options to be granted pursuant to the New Share Option Scheme; and
- (ii) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, any Share on the Stock Exchange which may fall to be allotted and issued by the Company pursuant to the exercise of the Share Options in accordance with the terms and conditions of the New Share Option Scheme.

Subject to the obtaining of the Shareholders' approval with respect to the adoption of the New Share Option Scheme at the EGM, the total number of Shares which may be issued upon exercise of all Share Options to be granted under the New Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total issued share capital of the Company as at the Adoption Date unless the Company obtains a fresh approval from the Shareholders to renew the 10% limit on the basis that the maximum number of Shares in respect of which Share Options may be granted under the New Share Option Scheme together with any Share Options outstanding and yet to be exercised under the New Share Option Scheme and any other share option schemes shall not exceed 30% of the issued share capital of the Company from time to time.

A summary of the principal rules of the New Share Option Scheme is set out in Appendix I to this circular. A copy of the New Share Option Scheme is available for inspection at the Company's head office and principal place of business in Hong Kong at Office 2809, 28th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong during normal business hours from the date hereof up to the date of the EGM.

Application will be made to the Listing Committee of the Stock Exchange for the approval of the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the Share Options granted under the New Share Option Scheme.

As at the Latest Practicable Date, no Shareholder had a material interest in the termination of the Existing Share Option Scheme and the adoption of the New Share Option Scheme. As such, no Shareholder is required to abstain from voting on the resolution in relation thereto.

LETTER FROM THE BOARD

EGM

A notice convening the EGM to be held at Office 2809, 28th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Thursday, 20 September 2012 at 2:00 p.m. is set out on pages 26 to 29 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

Whether or not you are 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 and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible, and 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 you from attending and voting in person at the EGM, or any adjournment thereof, should you so wish and in such event, the form of proxy shall be deemed to be revoked.

All the resolutions proposed to be approved at the EGM will be taken by poll and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting on any resolution to be proposed at the EGM. An announcement will be made by the Company after the EGM on the results of the EGM.

CLOSURE OF REGISTER OF MEMBERS AND BONUS ISSUE

In order to ascertain the entitlement to attend the EGM, the register of members of the Company will be closed from Tuesday, 18 September 2012 to Thursday, 20 September 2012 (both days inclusive) during which period no transfer of Shares can be registered. Shareholders are reminded that in order to qualify for attending and voting at the EGM, all transfer of Shares accompanied by the relevant share certificates and transfer forms must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. (Hong Kong time) on Monday, 17 September 2012.

The last day for dealing in Shares on a cum-entitlement basis to the Bonus Issue will be on Friday, 21 September 2012. In order to ascertain the entitlement to receive the Bonus Issue, the register of members of the Company will be closed from Wednesday, 26 September 2012 to Friday, 28 September 2012 (both days inclusive) during which period no transfer of Shares can be registered. Shareholders are reminded that in order to qualify for the Bonus Issue, all transfers of Shares accompanied by the relevant share certificates and transfer forms must be

LETTER FROM THE BOARD

lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. (Hong Kong time) on Tuesday, 25 September 2012.

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.

RECOMMENDATION

The Directors consider that the proposed resolutions set out in the notice of EGM are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions to be proposed at the EGM.

Yours faithfully,

For and on behalf of the Board

Lijun International Pharmaceutical (Holding) Co., Ltd.

Wu Qin

Chairman

The following is a summary of the principal rules of the New Share Option Scheme but does not form part of, nor was it intended to be, part of the New Share Option Scheme nor should it be taken as effecting the interpretation of the New Share Option Scheme:

1. PURPOSE OF THE NEW SHARE OPTION SCHEME

The purpose of the New Share Option Scheme is to enable the Board to grant Share Options to selected Eligible Persons as incentives or rewards for their contribution or potential contribution to the development and growth of the Group.

2. WHO MAY JOIN AND BASIS OF ELIGIBILITY

The Board may, at its absolute discretion and on such terms as it may think fit, grant Share Options to any Eligible Person to subscribe at a price calculated in accordance with paragraph 3 below for such number of Shares as it may determine in accordance with the terms of the New Share Option Scheme.

The basis of eligibility of any of the Eligible Persons to the grant of the Share Options shall be determined by the Board from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

3. OPTION PRICE FOR SUBSCRIPTION OF SHARES

The option price per Share payable on the exercise of the Share Option is to be determined by the Board provided always that it shall be at least the higher of:

- (i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange for the date of offer of grant, which must be a Business Day; and
- (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five (5) Business Days immediately preceding the date of offer of grant, (as subsequently adjusted pursuant to the terms of the New Share Option Scheme, if relevant), provided that the option price per Share shall in no event be less than the nominal amount of one (1) Share.

4. ACCEPTANCE OF OFFERS

An offer for the grant of the Share Options must be accepted within thirty (30) days inclusive of the day on which such offer was made. The amount payable by the grantee of the Share Option to the Company on acceptance of the offer for the grant is HK\$1.00.

5. MAXIMUM NUMBER OF SHARES

- (A) Subject to sub-paragraphs (B) and (C) below, the maximum number of Shares issuable upon exercise of all Share Options to be granted under the New Share Option Scheme and any other share option schemes of the Company as from the commencement of the Scheme Period (excluding, for this purpose, Share Options which have lapsed in accordance with the terms of the New Share Option Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of the Shares in issue as at the Adoption Date (the “Scheme Mandate”). The Shares underlying any Share Options granted under the New Share Option Scheme or any other share option schemes of the Company which have been cancelled (but not Share Options which have lapsed) will be counted for the purpose of the Scheme Mandate.
- (B) The Scheme Mandate may be refreshed at any time by obtaining approval of the Shareholders in general meeting provided that the new limit under the refreshed Scheme Mandate must not exceed 10% of the Shares in issue at the date of the Shareholders’ approval of such refreshed Scheme Mandate. Share Options previously granted under the New Share Option Scheme or any other share option schemes of the Company (including those exercised, outstanding, cancelled or lapsed in accordance with the terms of the New Share Option Scheme or any other share option schemes of the Company) will not be counted for the purpose of calculating the total number of Shares subject to the refreshed Scheme Mandate.
- (C) The Company may also, by obtaining separate approval of the Shareholders in general meeting, grant Share Options beyond the Scheme Mandate provided the Share Options in excess of the Scheme Mandate are granted only to Eligible Persons specifically identified by the Company before such approval is sought.

- (D) The aggregate number of Shares which may be issued upon exercise of all outstanding Share Options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the Shares in issue from time to time. No Share Options may be granted under the New Share Option Scheme if this will result in the limit being exceeded.

6. MAXIMUM ENTITLEMENT OF EACH ELIGIBLE PERSON

The maximum number of Shares issued and to be issued upon exercise of the Share Options granted under the New Share Option Scheme and any other share option schemes of the Company to any of the Eligible Person (including cancelled, exercised and outstanding Share Options), in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue, unless (i) a circular is despatched to the Shareholders; (ii) the Shareholders approve the grant of the Share Options in excess of the 1% limit referred to in this paragraph; and (iii) the relevant Eligible Person and his associates shall abstain from voting. The number and terms (including the exercise price) of the Share Options to be granted to such Eligible Person must be fixed before the Shareholders' approval.

7. GRANT OF SHARE OPTIONS TO CERTAIN CONNECTED PERSONS

- (A) Any grant of the Share Option to the Director, chief executive of the Company or the Substantial Shareholder (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Share Options).
- (B) Where any grant of Share Options to the Substantial Shareholder or an independent non-executive Director (or any of their respective associates) will result in the total number of Shares issued and to be issued upon exercise of the Share Options already granted and to be granted to such person under the New Share Option Scheme and any other share option schemes of the Company (including Share Options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:
- (i) representing in aggregate over 0.1% of the Shares in issue; and

- (ii) having an aggregate value, based on the closing price of the Shares at each date of grant, in excess of HK\$5 million, such further grant of Share Options is required to be approved by the Shareholders at general meeting of the Company in accordance with the Listing Rules. Any change in the terms of a Share Option granted to a Substantial Shareholder or an independent non-executive Director or any of their respective associates is also required to be approved by the Shareholders.

8. TIME OF GRANT AND EXERCISE OF SHARE OPTIONS

A grant of Share Option may not be made after a price-sensitive event has occurred or a price sensitive matter has been the subject of a decision, until such price-sensitive information has been announced in the manner set out in the Listing Rules. In particular, no Share Options may be granted during the period commencing one (1) month immediately preceding the earlier of (a) the date of the Board meeting for the approval of the Company's interim or annual results; and (b) the deadline for the Company to publish its interim or annual results and ending on the actual date of publication of the results announcement.

No Share Options may be granted to the Eligible Person who is subject to the Model Code during the periods or times in which such Eligible Person is prohibited from dealing in Shares pursuant to the Model Code.

The Share Option may be exercised in accordance with the terms of the New Share Option Scheme at any time during a period commencing on such date on or after the date on which the Share Option is granted as the Board may determine in granting the Share Options and expiring at the close of business on such date as the Board may determine in granting the Share Options but in any event shall not exceed ten (10) years from the date of grant (which is the date of offer of grant if the offer for the grant of the Share Options is accepted).

9. PERFORMANCE TARGETS

Save as determined by the Board and provided in the offer of the relevant Share Options, there is no performance target which must be achieved before any of the Share Options can be exercised.

10. RANKING OF SHARES

No dividends will be payable and no voting rights will be exercisable in relation to a Share Option that has not been exercised. Shares issued or transferred on the exercise of a Share Option will rank equally in all respects with the Shares in issue on the date of allotment. They will not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment.

11. RIGHTS ARE PERSONAL TO GRANTEE

The Share Option is personal to the grantee and the grantee may not in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to the Share Option or attempt to do so.

12. RIGHTS OF EXERCISE FOR GRANTEES WHO ARE ELIGIBLE PERSONS

If a grantee of the Share Option who at the time of grant of the Share Option to him qualified as the Eligible Person because he is the Eligible Person ceases to be such Eligible Person:

- (i) by reason of ill-health or injury or disability or death, then he or (as the case may be) his personal representative(s) may exercise his outstanding Share Option within six (6) months or up to the expiration of the relevant option period, whichever is earlier, failing which the Share Option will lapse; or
- (ii) because the relevant member of the Group or the relevant Substantial Shareholder or the relevant company controlled by the relevant Substantial Shareholder by reason of his employment or engagement with, or secondment to, which he qualified as the Eligible Person at the time the Share Option was granted ceases to be a member of the Group or the Substantial Shareholder or a company controlled by the relevant Substantial Shareholder (as the case may be), then he may exercise his outstanding Share Option within six (6) months or up to the expiration of the relevant option period, whichever is earlier, failing which the Share Option will lapse; or
- (iii) by reason of retirement in accordance with his contract of employment or service, then he may exercise his outstanding Share Option within six (6) months after he so ceases or, if the Board in its absolute discretion determine, within six (6) months following the date of his sixtieth birthday where the retirement takes effect prior to such date, failing which the Share Option will lapse; or

- (iv) by reason of voluntary resignation or dismissal, or upon expiration of his term of directorship (unless immediately renewed upon expiration), or by termination of his employment or service in accordance with the termination provisions of his contract of employment or service by the relevant company otherwise than by reason of redundancy, then his outstanding Share Options shall lapse on the date he so ceases; or

- (v) on the grounds that he has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally or has committed any serious misconduct or has been convicted of any criminal offence (other than an offence which in the opinion of the Board does not bring the grantee or the Group or the relevant Substantial Shareholder or the relevant company controlled by the relevant Substantial Shareholder into disrepute), then his outstanding Share Options shall lapse automatically on the date of his ceasing to be an Eligible Person; or

- (vi) for any other reason, any Share Options exercisable at the date he so ceases may be exercised within three (3) months of the date he so ceases, failing which the Share Option will lapse, provided always that in each case the Board in its absolute discretion may decide that such Share Options or any part thereof shall not so lapse or determine subject to such conditions or limitations as it may decide.

13. RIGHTS ON EXERCISE FOR GRANTEES WHICH ARE COMPANIES WHOLLY-OWNED BY ANY OF THE ELIGIBLE PERSONS

In respect of any Share Option granted to a company which qualified as the Eligible Person because it is a company wholly-owned by a person (“Such Person”) who is the Eligible Person:

- (i) the relevant provisions set out in paragraph 12, would apply to its outstanding Share Option as if the Share Option had been granted to Such Person; and
- (ii) its outstanding Share Option shall lapse and determine on the date it ceases to be a company wholly-owned by Such Person, provided always that in each case the Board in its absolute discretion may decide that such Share Options or any part thereof shall not so lapse or determine subject to such conditions or limitations as it may decide.

14. FAILURE TO MEET CONTINUING ELIGIBILITY CRITERIA

If the Board in the offer granting the relevant Share Option has specified that the grantee has to meet certain continuing eligibility criteria and that the failure of the grantee to meet any such continuing eligibility criterion would entitle the Company to cancel the Share Option then outstanding (or part thereof), then upon the failure of the grantee to meet any such continuing eligibility criterion, his outstanding Share Option shall lapse and determine on the date the Board exercises the Company’s right to cancel the Share Option on the ground of such failure.

15. RIGHTS ON A GENERAL OFFER

If a general offer by way of takeover is made to all the Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, the grantee of a Share Option shall, subject to paragraph 8 above, be entitled to exercise at any time within a period of fourteen (14) days after such control has been obtained by the offeror any Share Option in whole or in part to the extent not already exercised (and notwithstanding any restrictions which would otherwise have prevented such Share Option from being exercisable at that time). For the avoidance of doubt, the Share Option not so exercised shall remain valid in accordance with its terms and subject to such restrictions as applied to it before the general offer.

16. RIGHTS ON WINDING-UP

If notice is given by the Company to the Shareholders of a general meeting at which a resolution will be proposed for the voluntary winding-up of the Company, the Company shall forthwith give notice to all grantees of the Share Options and each grantee shall be entitled, at any time no later than two (2) Business Days prior to the proposed general meeting of the Company, to exercise any of his outstanding Share Options in whole or in part to the extent not already exercised (and notwithstanding any restrictions which would otherwise have prevented such Share Options from being exercisable at that time). If such resolution is duly passed, all Share Options shall, to the extent that they have not been exercised, thereupon lapse and determine on the commencement of the winding-up.

17. RIGHTS ON COMPROMISE OR ARRANGEMENT

In the event of a compromise or arrangement between the Company and Shareholders or the Company's creditors being proposed in connection with a scheme for the reconstruction or amalgamation of the Company, notice of the relevant meeting shall be given to the grantees of the Share Options on the same day notice is given to the Shareholders and the Company's creditors, and thereupon each grantee (or where permitted his personal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of the date falling two (2) calendar months thereafter and the date on which such compromise or arrangement is sanctioned by the courts of the Cayman Islands be entitled to exercise his Share Option, but such exercise of a Share Option shall be conditional upon such compromise or arrangement being sanctioned by the courts of the Cayman Islands and becoming effective. Failing such exercise, all Share Options will lapse.

18. LAPSE OF SHARE OPTIONS

A Share Option shall lapse automatically on the earliest of:

- (i) the expiry of the period referred to in paragraph 8 above;
- (ii) the date on which the grantee commits a breach of paragraph 11 above, if the Board shall exercise the Company's right to cancel the Share Option;

- (iii) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs 12, 13 or 14 above; and
- (iv) the expiry of any of the relevant periods referred to in paragraph 16 or 17 above.

19. CANCELLATION OF SHARE OPTIONS GRANTED BUT NOT YET EXERCISED

Notwithstanding any other provision in this New Share Option Scheme, the Board may cancel any Share Option provided that (i) the Company pays to the grantee of the Share Option an amount equal to the fair market value of the Share Option at the date of cancellation as determined by the Board, after consultation with the auditors for the time being of the Company or an independent financial adviser appointed by the Board; or (ii) the Board offers to grant to the grantee of the Share Option replacement Share Options (or options under any other share option schemes of the Company) or makes such arrangements as the grantee of the Share Option may agree to compensate him for the loss of the Share Option. Following the cancellation of the Share Options granted under the New Share Option Scheme but not exercised, new Share Options may only be granted to the same grantee under the New Share Option Scheme with available unissued Share Options (excluding the cancelled Share Options) within the limit of the Scheme Mandate then available to the Board.

20. EFFECTS OF ALTERATIONS TO CAPITAL

In the event of any alteration in the capital structure of the Company by way of capitalisation issue, rights issue, sub-division or consolidation of the Shares or reduction of the share capital of the Company (other than an issue of the Shares as consideration in respect of a transaction while any Share Option remains exercisable), such corresponding alterations (if any) will be made in (i) the numbers of the Shares subject to any outstanding Share Options and/or (ii) the subscription price per Share as the independent financial adviser or the auditors for the time being of the Company shall at the request of the Company or any grantee certify in writing to be in their opinion fair and reasonable, provided that any such alterations shall be made on the basis that the grantee shall have the same proportion of the issued share capital of the Company to which he was entitled before such alteration and the aggregate subscription price payable by the grantee on the full exercise of any Share Options shall remain as nearly as possible the same as (but not greater than) it was before such event, but so that no such alterations shall be made the effect of which would be to enable the Share to be issued at less than its nominal value. Save in the case of a capitalisation issue, an independent financial adviser or the auditors of the Company for the time being

must confirm to the Directors in writing that such adjustment(s) satisfy the aforesaid requirements and/or such other requirement prescribed under the Listing Rules from time to time.

21. PERIOD OF THE NEW SHARE OPTION SCHEME

The New Share Option Scheme will remain in force for a period of ten (10) years commencing on the date on which the New Share Option Scheme is adopted by the Shareholders in general meeting and shall expire at the close of business on the day immediately preceding the tenth (10th) anniversary thereof unless terminated earlier by the Shareholders in general meeting.

22. ALTERATION TO THE NEW SHARE OPTION SCHEME

The New Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Persons (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules;
- (ii) any change to the authority of the Board or scheme administrators in relation to any alteration to the terms of the New Share Option Scheme; and
- (iii) any material alteration to the terms and conditions of the New Share Option Scheme or any change to the terms of the Share Options granted (except any alterations which take effect automatically under the terms of the New Share Option Scheme), shall first be approved by the Shareholders in general meeting provided that if the proposed alteration shall adversely affect the Share Option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the New Share Option Scheme.

The amended terms of the New Share Option Scheme shall still comply with Chapter 17 of the Listing Rules.

23. TERMINATION TO THE NEW SHARE OPTION SCHEME

The Company may by resolution in general meeting or the Board may at any time terminate the New Share Option Scheme and in such event no further Share Option shall be offered but the provisions of the New Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any Share Option granted prior to the termination or otherwise as may be required in accordance with the provisions of the New Share Option Scheme.

Share Options granted prior to such termination shall continue to be valid and exercisable in accordance with the New Share Option Scheme.

24. CONDITIONS OF THE NEW SHARE OPTION SCHEME

The New Share Option Scheme is conditional on (1) the passing by the Shareholders of an ordinary resolution at the EGM to approve the adoption of the New Share Option Scheme; and (2) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of any Share Options which may be granted under the New Share Option Scheme.

NOTICE OF EGM



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 IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of Lijun International Pharmaceutical (Holding) Co., Ltd. (the “**Company**”) will be held at Office 2809, 28th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Thursday, 20 September 2012 at 2:00 p.m. (or any adjournment thereof) for the following purposes:

ORDINARY RESOLUTIONS

To consider and, if thought fit, to pass with or without modification the following resolutions as ordinary resolutions:

1. “**THAT** conditional upon the Stock Exchange granting the listing of, and permission to deal in, the Bonus Shares (as defined in paragraph (a) of this resolution):
 - (a) upon the recommendation of the Directors, such amount standing to the credit of the share premium account of the Company be capitalized and the Directors be and are hereby authorised to apply such amount in paying up in full at par such number of new Shares of HK\$0.02 each in the capital of the Company (“**Bonus Shares**”) on the basis of one Bonus Share for every five existing Shares held on the Record Date (as defined below), and the Directors be authorised to allot, issue and distribute the Bonus Shares, which are credited as fully paid, to the members of the Company whose names appear on the principal or branch register of members of the Company in Hong Kong (the “**Register of Members**”) as at the close of business on Friday, 28 September 2012 (the “**Record Date**”), other than those members (the “**Excluded Shareholders**”) whose addresses as shown on the Register of Members at the close of business on the Record Date are in jurisdiction outside Hong Kong and in respect of whom the Directors consider the exclusion from the Bonus Issue (as defined below) to be necessary or expedient in accordance with the Listing Rules and the memorandum and articles of association of the Company, on the basis of one Bonus Share for every five existing Shares of HK\$0.02 each in the capital of the Company then held by

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them respectively (“**Bonus Issue**”), and the Directors be authorised to settle, as they consider appropriate, any difficulty in regard to any distribution of the Bonus Shares (including without limitation, to deal with any fractional shares);

- (b) the Bonus Shares to be issued pursuant to this resolution shall, subject to the memorandum and articles of association of the Company, rank *pari passu* in all respects with the existing issued Shares of HK\$0.02 each in the capital of the Company;
- (c) the Directors be and hereby authorised to arrange for the Bonus Shares which would otherwise have been issued to the Excluded Shareholders, if any, to be sold in the market as soon as practicable after dealing in the Bonus Shares commences, and distribute the net proceeds of sale, after deduction of expenses, in Hong Kong dollars to the Excluded Shareholders, if any, *pro rata* to their respective shareholdings and to post to them the remittances therefor at their own risk, unless the amount to be distributed to any such persons is less than HK\$100.00, in which case the Directors be and are hereby authorised to retain such amount for the benefit of the Company; and
- (d) the Directors be and are hereby authorised to do all acts and things as may be necessary and expedient in connection with the issue of the Bonus Shares.”

2. (A) “**THAT**

- (a) subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the approval for the listing of, and the permission to deal in, the ordinary shares of HK\$0.02 each in the share capital of the Company (or such nominal amount as shall result from a capitalisation issue, rights issue, sub-division, consolidation, re-classification, reconstruction or reduction of share capital of the Company from time to time) (the “**Share(s)**”) to be issued pursuant to the exercise of the share options granted which may be granted under the new share option scheme (the “**New Share Option Scheme**”), a copy of which is tabled at the meeting and marked “A” and initialled by the chairman of the meeting for identification purpose;
- (b) the New Share Option Scheme be and is hereby approved and adopted; and the Directors be and are hereby authorised to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the New Share Option Scheme, including but without limitation:

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- (i) to administer the New Share Option Scheme under which share options will be granted to the Eligible Persons (as defined in the New Share Option Scheme) eligible under the New Share Option Scheme to subscribe for the Shares, including but not limited to determining and granting the share options in accordance with the terms of the New Share Option Scheme;
 - (ii) to modify and/or amend the New Share Option Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the New Share Option Scheme relating to the modification and/or amendment and subject to Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”);
 - (iii) to allot and issue from time to time such number of Shares in the capital of the Company as may be required to be allotted and issued pursuant to the exercise of the share options under the New Share Option Scheme and subject to the Listing Rules;
 - (iv) to make application at appropriate time or times to the Stock Exchange; and any other stock exchanges upon which the issued Shares may for the time being be listed, for listing of, and permission to deal in, any Shares which may hereafter from time to time be allotted and issued pursuant to the exercise of the share options under the New Share Option Scheme; and
 - (v) to consent, if it so deems fit and expedient, to such conditions, modifications and/or variations as may be required or imposed by the relevant authorities in relation to the New Share Option Scheme; and
- (c) with effect from the date of the New Share Option Scheme becoming unconditional and coming into effect, the operation of the existing share option scheme of the Company which was adopted by the Company on 16 October 2005 (the “**Existing Share Option Scheme**”) be and is hereby terminated with effect from the adoption of the New Share Option Scheme and that no further share options will be granted under the Existing Share Option Scheme but in all other respects the provisions of the Existing Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any share options granted prior thereto or

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otherwise as may be required in accordance with the provisions of the Existing Share Option Scheme and share options granted prior to such termination shall continue to be valid and exercisable in accordance with the Existing Share Option Scheme.”

By Order of the Board
Chow Hing Yeung
Company Secretary

Hong Kong, 31 August 2012

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:*

Office 2809, 28th Floor
Office Tower
Convention Plaza
1 Harbour Road
Wanchai
Hong Kong

Notes:

1. Any member entitled to attend and vote at the Meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more Shares may appoint more than one proxy to attend and vote on his behalf. A proxy need not be a member of the Company.
2. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority must be delivered to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof. Completion and return of a form of proxy will not preclude a shareholder of the Company from attending in person and voting at the Meeting or any adjournment thereof, should he so wish and in such event, the form of proxy shall be deemed to be revoked.
3. The register of members of the Company will be closed from Tuesday, 18 September 2012 to Thursday, 20 September 2012, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the Meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. (Hong Kong time) on Monday, 17 September 2012.
4. 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.
5. As at the date of this notice, the executive Directors are Mr. Wu Qin, Mr. Qu Jiguang, Mr. Xie Yunfeng, Mr. Huang Chao, Mr. Wang Xianjun, Mr. Duan Wei, Mr. Bao Leyuan, Ms. Gao Shuping, and the independent non-executive Directors are Mr. Wang Yibing, Mr. Leung Chong Shun and Mr. Chow Kwok Wai.