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This announcement is not an offer of securities for sale in the United States of America. The securities have not been and will not be registered under and may not be offered or sold in the United States of America or to US persons (as defined in Regulation S of the Securities Act of 1933, of the United States of America as amended (the "Securities Act")) unless registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. No public offering of the securities is being made in the United States of America.



## 利君國際醫藥(控股)有限公司

Lijun International Pharmaceutical (Holding) Co., Ltd.

(Incorporated in Cayman Islands with limited liability)  
(Stock Code: 2005)

### PROPOSED ISSUE OF HK\$ SETTLED RMB 160,000,000 ZERO COUPON CONVERTIBLE BONDS DUE 2010 AND RESUMPTION OF TRADING

On 17 May 2007, the Company entered into the Subscription Agreement with ABN, pursuant to which ABN agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Bonds with an aggregate principal amount of RMB160 million.

Based on an initial Conversion Price of HK\$4.15 and assuming full conversion of the Bonds at the initial Conversion Price with a fixed exchange rate of HK\$1 = RMB0.98339, the Bonds will be convertible into 37,913,831 Shares (subject to adjustment), representing approximately 13.05% of the issued share capital of the Company as at the date of this announcement and approximately 11.54% of the enlarged issued share capital of the Company. The Shares to be issued upon conversion of the Bonds will rank pari passu in all respects with the Shares then in issue on the relevant conversion date.

No application will be made for the listing of the Bonds on the Stock Exchange or any other stock exchange. Application will be made to the Stock Exchange for the listing of, and permission to deal in the Shares to be issued upon conversion of the Bonds. Such approval (once granted) shall, however, not be taken as an indication of the merits of the Company or the Bonds.

**Completion of the Subscription Agreement is subject to the satisfaction and/or waiver of the conditions precedent therein. In addition, the Subscription Agreement may be terminated in certain circumstances. Please refer to the section headed "Subscription Agreement" below for further information.**

**As the Subscription Agreement may or may not be complete, potential investors are advised to exercise caution when dealing in the Shares.**

The Bonds have not been offered or sold and will not be offered or sold in Hong Kong to the public within the meaning of the Companies Ordinance.

The Bonds and the Shares to be issued upon conversion of the Bonds have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds and the Shares to be issued upon conversion of the Bonds will be offered and sold outside the United States in reliance on Regulation S under the Securities Act.

The net proceeds from the issue of the Bonds are estimated to be approximately RMB158 million after deduction of expenses (including but not limited to legal fees and underwriting commission). The Company currently intends that approximately 80% of the estimated net proceeds will be applied to acquire or invest in complementary businesses or to establish joint ventures that the Company believes will complement its current or future business (including but not limited to the acquisition of New Orient Investments Limited pursuant to the SP Agreement) and the balance as working capital.

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on Tuesday, 15 May 2007 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on Friday, 18 May 2007.

#### SUBSCRIPTION AGREEMENT

Date: 17 May 2007

Parties: The Company (as issuer)  
ABN (as subscriber)

Subject to the fulfillment of the conditions set out below under the section headed "Conditions Precedent of the Subscription Agreement", ABN has agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Bonds with an aggregate principal amount of RMB160 million.

The Bonds will be issued at 100% of the principal amount.

Based on an initial Conversion Price of HK\$4.15 and assuming full conversion of the Bonds at the initial Conversion Price with a fixed exchange rate of HK\$1 = RMB0.98339, the Bonds will be convertible into 37,913,831 Shares (subject to adjustment), representing approximately 13.05% of the issued share capital of the Company as at the date of this announcement and approximately 11.54% of the enlarged issued share capital of the Company. The Shares to be issued upon conversion of the Bonds will rank pari passu in all respects with the Shares then in issue on the relevant conversion date.

The Bonds and the Shares to be issued upon conversion of the Bonds have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds will be offered and sold outside the United States in reliance upon Regulation S of the Securities Act. None of the Bonds will be offered or sold in Hong Kong to the public (within the meaning of the Companies Ordinance) nor will they be placed to any connected persons (as defined in the Listing Rules) of the Company.

The subscribers and their ultimate beneficial owners are independent third parties and are not connected persons (as defined in the Listing Rules) of the Company.

#### Lock-up Undertaking

The Company has undertaken with ABN that the Company will, for a period from the date of the Subscription Agreement up to 90 days after the Closing Date, without the prior written consent of ABN (such consent not to be unreasonably withheld), issue, offer, lend, sell, contract to sell, pledge or otherwise dispose of or encumber (or publicly announce any (or any intention to make) any such issuance, offer, lease, sale, contract to sell, pledge, grant, disposal or encumbrance), any Shares or securities convertible or exchangeable into or exercisable for Shares or warrants or other rights to purchase Shares save for (i) any consolidation or subdivision of the Shares; or (ii) the issue of equity share capital pursuant to the Bond; or (iii) the issue of the equity share capital pursuant to the transactions contemplated by the Subscription Agreement; or (iv) the issue of equity share capital for the purpose of restoring the public float required under the Listing Rules and/or by the Stock Exchange or (v) the issuance of 110,000,000 ordinary shares of the Company to the CMP Group Limited or its nominee pursuant to the SP Agreement; or (vi) for the issue, offer, exercise, allotment, appropriation or grant of Shares to or for the benefit of employees of the Company (including directors holding office) or any subsidiary of the Company pursuant to any employees' share option scheme or plan which (a) is in compliance with the regulations and listing rules governing the Issuer and its Shares; and (b) does not amount to, relate to, or entitle such persons to receive, Shares in excess of ten percent (10%) of the average number of issued and outstanding Shares during any twelve (12) months.

The Company shall procure that the Controlling Shareholders not for a period of 180 days after the Closing Date, without the prior written consent of the Subscriber (whose consent shall not be unreasonably withheld or delayed), offer, sell, contract to sell, grant or otherwise dispose of any Shares.

The Company shall also procure that the Controlling Shareholders of the Company, without the prior written consent of the Subscriber (whose consent shall not be unreasonably withheld or delayed), whether on its own or together with its affiliates will hold not less than thirty percent (30%) of the voting rights in the Company for so long as any Bonds remain outstanding save and except any dilution caused by the conversion of the Shares.

#### Conditions Precedent of the Subscription Agreement

Completion of the Subscription Agreement is conditional upon:

- ABN having been satisfied with the results of its due diligence investigations on the Group;
- the execution and delivery (on or prior to the Closing Date) of a trust deed and an agency agreement in connection with the issue of the Bonds;
- the Stock Exchange having agreed to the listing of and permission to deal with the Shares to be issued upon conversion of the Bonds;
- on the Closing Date, (i) the representations and warranties of the Company in the Subscription Agreement being true, accurate and correct at, and as if made on, the Closing Date, (ii) the Company having performed all of its obligations under this Agreement to be performed on or before the Closing Date, (iii) there having been, as at the Closing Date, no change (nor any development or event involving a prospective change of which the Company is, or might reasonably be expected to be, aware) which is materially adverse to the condition (financial or other), business, prospects, properties, shareholders' equity, results of operations or general affairs of the Company or of the Consolidated Group taken as a whole since 31 December 2006 and (iv) there having been delivered to the Subscriber a certificate dated the Closing Date, signed by a duly authorized officer of the Company (substantially in the form of Schedule 3 to the Subscription Agreement) to the effect stated in (i), (ii) and (iii); and
- the delivery to ABN on or prior to the Closing Date of legal opinions from English, Hong Kong and Cayman Islands counsels, each in a form satisfactory to ABN.

ABN may, at its discretion and upon such terms as it thinks fit, waive compliance with all or any of the conditions precedents (i), (ii), (iv) and (v) above, but shall not waive condition (iii) above.

If any of the conditions precedent are not satisfied or waived by ABN on or prior to the Closing Date, as the case may be, the Subscription Agreement shall terminate and be of no further effect and no party shall be under any liability to any other in respect of the Subscription Agreement except otherwise provided therein.

If the Company fails to obtain the listing approval of the new Shares upon conversion of the Bonds from the Stock Exchange by the Closing Date, the Company has the obligation under the Subscription Agreement to use its reasonable endeavours to obtain such listing on an alternative stock exchange.

#### Termination

ABN may, by notice to the Company given at any time prior to payment of the net subscription monies for the Bonds to the Company, terminate the Subscription Agreement in any of the following circumstances:

- if there shall have come to the notice of ABN any breach of, or any event rendering untrue or incorrect in any material respect, any of the warranties and representations contained in the Subscription Agreement or any failure by the Company to perform any of its undertakings or agreements in the Subscription Agreement; or
- if any of the conditions precedent specified in the Subscription Agreement have not been satisfied or waived by ABN.

The Company may, by giving notice to ABN at any time prior to the payment of the net subscription monies on the Closing Date, terminate the Subscription Agreement if there shall have come to the notice of the Company any breach by the Subscriber of, or any event rendering untrue or incorrect, any of the warranties and representations contained in the Subscription Agreement or any failure to perform any of the Company's undertakings or agreements in the Subscription Agreement.

Subject to the foregoing, completion of the subscription and issue of the Bonds shall take place on the Closing Date.

#### PRINCIPAL TERMS OF THE BONDS

The principal terms of the Bonds are summarized as follows:

Issuer	:	The Company
Principal amount of the Bonds	:	The aggregate principal amount of the Bonds will be RMB160 million.
Issue price	:	100% of the principal amount of the Bonds
Interest	:	Save for the default interest at the rate of 5% per annum, the Bonds do not bear interest.
Conversion period	:	Bondholder(s) may exercise conversion rights at any time on or after 30 days after 30 May 2007 up to the close of business (at the place where the certificate evidencing such Bond is deposited for conversion) on 23 May 2010.
Conversion Price	:	The initial Conversion Price will be HK\$4.15 per Share, representing (i) a premium of approximately 2.94% over the volume weighted average price of HK\$4.0314 per Share on 14 May 2007, which is the last Trading Day before the Subscription Agreement was signed; (ii) a premium of approximately 2.98% over the closing price of HK\$4.03 per Share as quoted on the Stock Exchange on 14 May 2007, (iii) a premium of approximately 11.50% over the average of the closing price of the Shares as quoted on the Stock Exchange for the 5 Trading Days up to and including 14 May 2007 of HK\$3.722 and (iv) a premium of approximately 13.26% over the average of the closing price of the Shares as quoted on the Stock Exchange for the 10 Trading Days up to and including 14 May 2007 of HK\$3.664 respectively.
		The Conversion Price is subject to adjustment upon the occurrence of certain prescribed events including consolidation, subdivision or reclassification of shares, capitalisation of profits or reserves, capital distributions, rights issues of Shares or options over Shares, rights issues of other securities, and issues at less than current market price. The Company will issue announcement to inform the public if such adjustment occurs.
Ranking of Shares	:	The Shares to be issued upon conversion of the Bonds will rank pari passu in all respects with the Shares then in issue on the relevant conversion date.
Maturity	:	Unless previously redeemed, converted or purchased and cancelled as provided in the terms and condition of the Bonds, ABN will redeem each Bond at HK dollar equivalent of its RMB principal amount multiplied by 121.1547% in 2010 on the third anniversary of the Closing Date.
Public float	:	(1) So long as the Bondholder beneficially owns 10% or more of the Shares of the Issuer, it will convert the Bonds only in an amount which would not decrease the public float of the Company below 25% and (2) The Company undertakes in any circumstances to closely monitor the public float of the Company and will take appropriate act to maintain the 25% public float requirements.

Redemption for taxation reasons	:	The Bonds may be redeemed at the option of the Company in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable) in accordance with terms and conditions of the Bonds at a redemption price equal to the Early Redemption Amount, if (i) the Company satisfies the trustee immediately prior to the giving of such notice that the Company, as the case may be, has or will become obliged to pay additional amounts as referred to in terms and condition of the Bonds as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or Hong Kong or the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 30 May 2007, and (ii) such obligation cannot be avoided by the Company, as the case may be, taking reasonable measures available to it, provided that no tax redemption notice shall be given earlier than 90 days prior to the earliest date on which the Company, as the case may be, would be obliged to pay such additional tax amounts were a payment in respect of the Bonds then due.
Redemption for delisting or change of control	:	Following the occurrence of the following events: <ul style="list-style-type: none"> <li>(i) when the Shares cease to be listed or admitted to trading on the Stock Exchange; or</li> <li>(ii) when there is a change of control in the Company,</li> </ul> the Bondholder(s) will have the right to require the Company to redeem all or some of the Bonds at the HK dollar equivalent of their Early Redemption Amount on the 14th day after the expiry of the later of 60 days following (a) any of the above two events or, if later, (b) the date upon which notice thereof is given to the Bondholders by the Company.
Voting rights	:	Before conversion of the Bonds, Bondholders will not have any right to attend or vote in any meeting of the Company by virtue of their being Bondholders.
Listing	:	An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued upon conversion of the Bonds.
Form and denomination	:	The Bonds are issued in registered form in denominations of RMB1,000,000, but upon issue will be represented by a global certificate deposited with and registered in the name of a common depository for Euroclear and Clearstream.
Transferability	:	The Bonds are freely transferable.
Status	:	The Bonds constitute direct, unsubordinated, unconditional and (subject to the terms and conditions of the Bonds) unsecured obligations of the Company and shall at all times rank pari passu and without any preference or priority among themselves.
HK Dollar Settlement	:	All amounts due under, and all claims arising out of or pursuant to, the Bonds and/or the trust deed and/or the agency agreement entered into in connection with the Bonds from or against the Company shall be payable and settled in HK dollars only.

#### EFFECT ON THE SHARE CAPITAL OF THE COMPANY AS A RESULT OF CONVERSION OF BONDS

The following table summarises the shareholding structure of the Company as at the date of this announcement and as a result of conversion of the Bonds (assuming the total number of Shares in issue remain unchanged from the date hereof):

Name of Shareholder	As at date of this announcement		Assuming the Bonds are fully converted into Shares (subject to adjustment) at the initial Conversion Price of HK\$4.15 each at a fixed exchange rate of HK\$1 = RMB0.98339		Assuming the Bonds are fully converted into Shares (subject to adjustment) at the initial Conversion Price of HK\$4.15 each at a fixed exchange rate of HK\$1 = RMB0.98339 and Assuming the Completion of SP Agreement	
	No. of Shares	Approximate % of issued share capital of the Company	No. of Shares	Approximate % of enlarged issued share capital of the Company	No. of Shares	Approximate % of enlarged issued share capital of the Company
<b>Controlling Shareholder and its concert parties:</b>						
Prime United Industries Limited (Notes 1)	123,984,000	42.68%	123,984,000	37.75%	123,984,000	28.28%
Success Manage International Limited (Notes 2)	22,344,000	7.69%	22,344,000	6.80%	22,344,000	5.10%
Fame World Investments Limited (Notes 3 & 4)	2,499,000	0.86%	2,499,000	0.76%	2,499,000	0.57%
Flying Success Investments Limited (Notes 3 & 5)	1,738,000	0.60%	1,738,000	0.53%	1,738,000	0.40%
Bondwide Trading Limited (Notes 3 & 6)	11,197,000	0.41%	1,197,000	0.36%	1,197,000	0.27%
<b>Sub-total</b>	<b>151,762,000</b>	<b>52.24%</b>	<b>151,762,000</b>	<b>46.20%</b>	<b>151,762,000</b>	<b>34.62%</b>
<b>Other Shareholders:</b>						
Grand Ocean Shipping Limited (Notes 7)	58,300,000	20.07%	58,300,000	17.75%	58,300,000	13.30%
CPCL (Notes 8)	0.00	0.00%	0.00	0.00%	110,000,000	25.09%
<b>Public Shareholders</b>						
Bond Holder (Notes 9)	0.00	0.00%	37,913,831	11.54%	37,913,831	8.65%
Others	80,438,000	27.69%	80,438,000	24.51%	80,438,000	18.34%
<b>Sub-total</b>	<b>135,000,000</b>	<b>47.76%</b>	<b>176,651,831</b>	<b>53.80%</b>	<b>286,651,831</b>	<b>65.38%</b>
<b>Total</b>	<b>290,500,000</b>	<b>100.00%</b>	<b>328,473,831</b>	<b>100.00%</b>	<b>438,413,831</b>	<b>100.00%</b>

#### Notes:

- Prime United Industries Limited is held as to about 2.43% by Mr. Wu Qin, an executive Director, as to about 2.43% by Mr. Wu Zhihong, an executive Director, as to about 2.41% by Mr. Huang Chao, an executive Director, as to about 4% by Mr. Xie Yunfeng, an executive Director, as to about 4% by Ms. Han Yamei, a member of the management of Xi'an Lijun Pharmaceutical Co., Ltd. (西安利君製藥有限公司) ("Xi'an Lijun") and as to about 84.73% by Mr. Wu Qin, Mr. Wu Zhihong, Mr. Huang Chao, Mr. Xie Yunfeng and Ms. Han Yumei who jointly hold such shares on trust for 4,965 individuals who are present and former employees or their respective estates of Xi'an Lijun and Rejoy Group Limited Liability Company (利君集團有限公司) ("Rejoy Group"). Mr. Wu Qin, Mr. Wu Zhihong, Mr. Huang Chao and Mr. Xie Yunfeng, the executive Directors, are also directors of the Prime United Industries Limited. Xi'an Lijun is a company established in the PRC with limited liability and wholly-owned by the Company. Rejoy Group is a company established in the PRC with limited liability and 100% owned by Shaanxi Pharmaceutical Company (陝西省醫藥總公司), a state-owned enterprise under the direct supervision of the Shaanxi Provincial Government.
- Success Manage International Limited is held as to about 37.88% by Mr. Wu Qin, an executive Director, as to about 10.03% by Mr. Wu Zhihong, an executive Director, as to about 10.03% by Mr. Huang Chao, an executive Director, as to about 3.06% by Mr. Xie Yunfeng, an executive Director, as to about 3.06% by Ms. Sun Xinglai, an executive Director, as to about 3.06% by Mr. Zhang Yabin, a member of the management of Xi'an Lijun and as to about 32.87% by Mr. Zhang Yabin on trust for 24 individuals, all of whom are part of the management of Xi'an Lijun.
- Prime United Industries Limited, Fame World Investments Limited, Flying Success Investments Limited and Bondwide Trading Limited were controlling shareholders of the Company as stated in the prospectus of the Company dated 2 December 2005.
- Fame World Investments Limited is owned as to 45% by Mr. Li Peirong, 30% by Mr. Li Pai and 25% by Newtronic Pharmaceuticals & Chemicals Limited ("Newtronic"), all of whom are beneficial shareholders of Xi'an Combel Pharmaceutical Co., Ltd. (西安康拜爾製藥有限公司) ("Xi'an Combel"). Newtronic is held as to 50% by Mr. Shing Ting Chun and 50% by Ms. Cheung Ming Man. Xi'an Combel is a company established in the PRC with limited liability and its entire registered capital is wholly-owned by the beneficial shareholders of Fame World Investments Limited.
- Flying Success Investments Limited is owned as to 80% by Mr. Zhao Lisheng and 20% by Ms. Chan Lok San, all of whom are beneficial owners of Shenzhen Jinhua Enterprise Co., Ltd. (深圳市金活實業有限公司) ("Shenzhen Jinhua"). Shenzhen Jinhua is a company established in the PRC with limited liability and its entire registered capital is wholly-owned by the beneficial shareholders of Flying Success Investments Limited.
- Bondwide Trading Limited is owned as to 92.03% by Mr. Han Zhichao, 6.38% by Mr. Zhao Lisheng, and 1.59% by Ms. Chan Lok San, all of whom are beneficial shareholders of Liaoning Huabang Pharmaceutical Co., Ltd. (遼寧華邦醫藥有限公司) ("Liaoning Huabang") formerly known as Pharmaceutical Sales Department of Northeast Pharmaceutical Group Company (東北製藥集團公司醫藥經營部). Liaoning Huabang is a company established in the PRC with limited liability and its entire registered capital is wholly-owned by the beneficial shareholders of Bondwide Trading Limited.
- Grand Ocean Shipping Company Limited, a company incorporated in the Republic of Liberia on 1 November 1996 and engaged in the business of shipping, which in turn is owned as to 50% by Ms. Chen Lin-Dong and 50% by Mr. Xu Ming.
- Upon Completion of the SP Agreement, CPCL will be allotted 110,000,000 ordinary shares of the Company.
- If any of the Bondholders holds more than 10% of the Shares to be issued upon conversion of the Bonds, such Bondholder will not be considered as a public shareholder, but will be considered as a substantial shareholder.

Prime United Industries Limited, Success Manage International Limited, Fame World Investments Limited, Flying Success Investments Limited and Bondwide Trading Limited are acting in concert with each other in holding the Shares pursuant to The Code on Takeovers and Mergers owning in aggregate about 52.24% shareholding in the Company as at the date of the Subscription Agreement. Upon completion, Prime United Industries Limited and its concert parties will own about 46.20% shareholding in the Company and will continue to control the Board. Therefore, the Directors consider that there is no change in control pursuant to The Code on Takeovers and Mergers.

The Stock Exchange has stated that if, at the date when the Bonds are converted into Shares, less than 25% of the Shares are held by the public or if the Stock Exchange believes that:

- a false market exists or may exist in the trading in the Shares; or
  - there are too few Shares in public hands to maintain an orderly market,
- then it will consider exercising its discretion to suspend trading in the Shares until a sufficient public float is attained.

#### USE OF PROCEEDS

The net proceeds from the issue of the Bonds are estimated to be approximately RMB158 million after deduction of expenses (including but not limited to legal fees and underwriting commission). The Company currently intends that approximately 80% of the estimated net proceeds will be applied to acquire or invest in complementary businesses or to establish joint ventures that the Company believes will complement its current or future business (including but not limited to the acquisition of New Orient Investments Limited pursuant to the SP Agreement) and the balance as working capital.

#### REASONS FOR AND BENEFITS OF THE BONDS ISSUE

The conversion of the Bonds into Shares will enlarge and diversify the shareholder base of the Company whilst providing an opportunity to raise further capital for the Company to finance the acquisition and investment of complementary businesses or establishment of joint ventures (including but not limited to the acquisition of New Orient Investment Limited) and for general working capital. The Directors consider that this will strengthen the financial position of the Company and hence will be beneficial to the overall development and expansion of the Company. The Directors consider that the terms and conditions of the Subscription Agreement and the Bonds are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole.

#### GENERAL

The Group is principally engaged in the research, development, manufacture and sale of a wide range of pharmaceutical products which can be broadly categorized into finished medicines and bulk pharmaceuticals. Application will be made to the Stock Exchange for the listing of, and permission to deal in the Shares to be issued upon conversion of the Bonds. Such approval (once granted) shall, however, not be taken as an indication of the merits of the Company or the Bonds.

The Bonds and the Shares to be issued upon conversion of the Bonds have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds and the Shares to be issued upon conversion of the Bonds are being offered and sold outside the United States in reliance on Regulation S under the Securities Act.

None of the Bonds will be offered to the public in Hong Kong.

The Company will promptly notify the Stock Exchange upon becoming aware of any dealing in the Bonds by any connected person (as defined in the Listing Rules) of the Company.

#### SUSPENSION AND RESUMPTION OF TRADING

Trading in the Shares has been suspended at the request of the Company from 9:30 a.m. on Tuesday, 15 May 2007 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on Friday, 18 May 2007.

#### GENERAL MANDATE

At an annual general meeting of the Company held on 18 April 2006, the Company granted a general mandate to the Directors, to allot and issue up to 58,100,000 ordinary shares (i.e. 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the annual general meeting). To date, there has been no issue of shares under the general mandate granted. The Company will utilize such general mandate to issue and allot the Shares upon conversion of the Bonds.

#### DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meaning:

"ABN"	:	ABN AMRO BANK N.V.
"Alternative Stock Exchange"	:	at any time, in the case of the Shares, if they are not at that time listed and traded on the Stock Exchange, the principal stock exchange or securities market on which the shares are then listed or quoted or dealt in
"Board"	:	board of Directors
"Bonds"	:	the HK Dollar Settled Zero Coupon Convertible Bonds due 2010 of an aggregate principal amount of RMB160 million
"Bondholder(s)"	:	holder(s) of the Bonds from time to time
"Closing Date"	:	30 May 2007 or such later date as the Company and ABN may agree
"Company"	:	Lijun International Pharmaceutical (Holding) Co., Ltd., a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange
"Companies Ordinance"	:	the Companies Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong)
"Consolidated Group"	:	the Company and its consolidated subsidiaries
"Controlling Shareholders"	:	Prime Limited Industries Limited and China Pharmaceutical Company Limited, each being shareholder holding not less than thirty percent (30%) of the voting rights in the Issuer
"Conversion Price"	:	the price at which Shares will be issued upon conversion which will initially be HK\$4.15 per Share with a fixed exchange rate of HK\$1.00 = RMB0.98339 and will be subject to adjustment in the manner provided in the terms and conditions of the Bonds
"Directors"	:	directors of the Company
"Early Redemption Amount"	:	in respect of each RMB1,000,000 principal amount of Bonds, an amount which represents for the Bondholder a gross yield of 6.5% per annum, calculated on a semi-annual basis up to (but excluding) the redemption date
"Group"	:	the Company and its subsidiaries
"HK\$"	:	Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region of the PRC
"Listing Rules"	:	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
"Maturity Date"	:	30 May 2010
"PRC"	:	the People's Republic of China
"Regulation S"	:	Regulation S under the Securities Act
"RMB"	:	Renminbi, the lawful currency of the PRC
"Securities Act"	:	the US Securities Act of 1933, as amended
"SFC"	:	the Securities and Futures Commission
"Shares"	:	means ordinary shares of HK\$0.10 each in the issued share capital of the Company
"SP Agreement"	:	the agreement dated 25 March 2007 executed between the Company, CMP Group Limited and China Pharmaceutical Company Limited relating to the acquisition of New Orient Investments Limited, as disclosed in the announcement of the Company on 30 March 2007
"Stock Exchange"	:	The Stock Exchange of Hong Kong Limited
"Subscription Agreement"	:	the subscription agreement between the Company and ABN dated 17 May 2007
"Trading Day"	:	a day when the Stock Exchange or, as the case may be an Alternative Stock Exchange is open for dealing business, provided that if no closing price is reported for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not to have been dealing days when ascertaining any period of dealing days
"United States"	:	the United States of America
"%"	:	per cent.

As at the date of this announcement, the Board comprises Wu Qin, Wu Zhihong, Huang Chao, Xie Yunfeng, Sun Xinglai and Wang Xianjun as executive Directors, Liu Zhiyong as non-executive Director and Qu Jiguang, Leung Chong Shun and Chow Kwok Wai as independent non-executive Directors.

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

Hong Kong, 17 May 2007