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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in doubt** as to any aspect of this circular, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **Lijun International Pharmaceutical (Holding) Co., Ltd.**, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker 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)**

**DISCLOSEABLE TRANSACTION  
ACQUISITION OF LAND-USE RIGHTS IN THE PRC**

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A letter from the board of directors of Lijun International Pharmaceutical (Holding) Co., Ltd. is set out on pages 3 to 7 of this circular.

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## DEFINITIONS

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

“Acquisition”	acquisition of the Land-use Rights by the Purchaser;
“associate(s)”	has the meaning as ascribed to it in the Listing Rules;
“Board”	the board of Directors;
“Company”	Lijun International Pharmaceutical (Holding) Co., Ltd.;
“Consideration”	total consideration of approximately RMB126,721,320 payable by the Purchaser for the Acquisition in accordance with the terms of the Land Transfer Contract;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Third Parties”	independent third parties not connected with the Directors, chief executives or substantial shareholders of the Company or any of its subsidiaries or their respective associates;
“Land”	four parcels of land with an aggregate area of approximately 180,256.73 square meters located at Han Cheng Nan Lu, Lian Hu Qu, Xi’an, PRC and Hong Guang Lu, Wang Si Zhen, Chang’an Qu, Xi’an, PRC;
“Land-use Rights”	the land use rights in respect of the Land with terms of use commencing from 2001 and expiring in 2045 for 1 parcel of Land and expiring in 2049 for the remainder;
“Land Transfer Contract”	the Land Transfer Contract dated 9 December 2008 entered into between the Vendor and the Purchaser in relation to the Acquisition;

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## DEFINITIONS

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“Latest Practicable Date”	22 December 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region and Taiwan for the purpose of this circular;
“Purchaser/Xi’an Lijun”	西安利君製藥有限責任公司(Xi’an Lijun Pharmaceutical Co., Ltd.), a limited liability company established in the PRC and a direct wholly-owned subsidiary of the Company;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong (as amended from time to time));
“Shareholder(s)”	holder(s) of ordinary share(s) of HK\$0.02 each in the issued share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“Vendor”	利君集團有限責任公司 (Rejoy Group Limited Liability Company), a limited liability company established in the PRC.

*For illustrative purposes only, RMB is converted into HK\$ at an exchange rate of RMB1.00 = HK\$1.13 in this circular.*

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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Wu Qin (*Chairman*)

Mr. Qu Jiguang

Mr. Huang Chao

Mr. Xie Yunfeng

Ms. Sun Xinglai

Mr. Wang Xianjun

Mr. Duan Wei

Mr. Wang Zhizhong

Ms. Zhang Guifu

Mr. Bao Leyuan

*Non-Executive Director:*

Mr. Liu Zhiyong

*Independent non-executive Directors:*

Mr. Wang Yibing

Mr. Leung Chong Shun

Mr. Chow Kwok Wai

*Registered office:*

Cricket Square

Hutchins Drive

P.O. Box 2681 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

29 December 2008

*To the Shareholders and, for information only,*

*the holders of share options and the holders of the convertible bonds*

Dear Sir or Madam,

## **DISCLOSEABLE TRANSACTION ACQUISITION OF LAND-USE RIGHTS IN THE PRC**

### **(A) INTRODUCTION**

The Directors refer to the announcement of the Company dated 9 December 2008 in relation to the acquisition of the Land-use Rights of the Land by Xi'an Lijun, a direct wholly-owned subsidiary of the Company, at an aggregate consideration of approximately RMB126,721,320 (equivalent to approximately HK\$143,195,092).

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## LETTER FROM THE BOARD

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The Acquisition constituted a discloseable transaction of the Company as the relevant percentage ratio, pursuant to Chapter 14 of the Listing Rules are more than 5% but less than 25%.

The purpose of this circular is to give you further information in relation to the Acquisition.

### (B) LAND TRANSFER CONTRACT

**Date:** 9 December 2008

**Vendor:** 利君集團有限責任公司 (Rejoy Group Limited Liability Company)

Save as Mr. Wu Qin, Mr. Xie Yunfeng and Mr. Bao Leyuan, all being executive Directors of the Company, are also directors of the Vendor, the Directors confirm that, to the best of their knowledge, information and belief having made all reasonable enquiry, the Vendor and its beneficial owners are Independent Third Parties.

**Purchaser:** Xi'an Lijun, a direct wholly-owned subsidiary of the Company

### Subject Matter

The Land-use Rights of the Land which comprises four parcels of land with an aggregate area of approximately 180,256.73 square meters located at Han Cheng Nan Lu, Lian Hu Qu, Xi'an, PRC and Hong Guang Lu, Wang Si Zhen, Chang'an Qu, Xi'an, PRC for warehouse and industrial use.

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## LETTER FROM THE BOARD

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### Consideration and Payment Terms

The aggregate consideration for the Acquisition is approximately RMB126,721,320 (equivalent to approximately HK\$143,195,092) and is payable by the Purchaser in the following manners:

- (a) RMB50,000,000, representing 39.46% of the Consideration, shall be payable within 5 working days from the date the Land Transfer Contract takes effect; and
- (b) RMB76,721,320, representing the remainder of the Consideration, shall bear interest calculated at the bank lending rate during the corresponding period, and shall be payable together with interest before 30 June 2009 after the completion of transfer of Land-use Rights or change in ownership registration of the aforesaid land, and the title certificate is registered under the name of Xi'an Lijun.

The Acquisition will be financed by internal resources of the Group and/or banking facilities.

The Consideration was arrived at after arms' length negotiation between the parties with reference to the valuation of the Land as at 31 December 2007 in the amount of RMB129,510,812 and after deducting the amortisation of land use right from January to November 2008 in the amount of RMB2,789,492. The Consideration also reflects the directions given by National Asset Supervisory Management Committee of Xi'an People's Government in the "Approval in relation to the adjustment to the consideration of land transfer" (XiGuoZhiFa [2008]390) issued on 5 December 2008.

### Completion

According to the terms of the Land Transfer Contract, the Land Transfer Contract will take effect after signing by the parties and upon issuance of the property right transfer certificate by the Xian Equity Exchange (西安產權交易中心).

Completion of the Acquisition shall take place within 15 days from the date the Land Transfer Contract takes effect. The Vendor shall deliver the relevant certificates in respect of the Land-use Rights to the Purchaser at completion.

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## LETTER FROM THE BOARD

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### (C) REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is one of the leading pharmaceutical manufacturers in the PRC. The Group is principally engaged in the research, development, manufacture and sale of a wide range of pharmaceutical products, including antibiotics, intravenous infusion solution, non-antibiotics finished medicines, bulk pharmaceuticals and OTC and healthcare products.

Part of the Land with an aggregate area of 113,768 square meters has been leased by the Vendor to Xi'an Lijun under a tenancy agreement dated 1 January 2008 for a term of 3 years from 1 January 2008 to 31 December 2010 at a monthly rental of RMB455,072 for the usage of production, warehouse and office. Pursuant to the Land Transfer Contract, both the Vendor and Xi'an Lijun agreed that the tenancy agreement will be terminated on 30 November 2008.

The Directors consider the Acquisition provides a good opportunity for the Group to acquire the Land-use Rights at a reasonable price and to continue its use of the Land to expand the Group's production scale, thus enabling the Group to broaden the earning base of its business and avoid any increase in rental expenses from leasing of the Land in the long run.

Upon the completion of the Acquisition, the costs of the Land-use Rights would be capitalised as assets of the Group and the assets of the Group will increase accordingly. The Group intends to pay the RMB50,000,000, representing 39.46% of the Consideration, by internal resources and to the extent of the remainder of the Consideration in the amount of RMB76,721,320, the Group may, depending on the cash flow position of the Group at the time of payment, finance the payment thereof by means of banking facilities and may incur liabilities as a result of the Acquisition. The Directors consider the Acquisition will enable the Group to continue its use of the Land to expand the Group's production scale, thus enabling the Group to broaden the earning base of its business and avoid any increase in rental expenses from leasing of the Land in the long run. The Directors expect the Acquisition will have a positive impact on the earnings and assets of the Group in long term.

The Directors (including the independent non-executive Directors) consider that the terms of the Acquisition under the Land Transfer Contract are fair and reasonable and in the interest of the Company and its shareholders as a whole.

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## LETTER FROM THE BOARD

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### (D) INFORMATION ON THE VENDOR

The Vendor is a company established in the PRC with limited liability and is 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 (陝西省人民政府).

The Vendor is an investment holding company which has three principal subsidiaries as at the Latest Practicable Date, including Shaanxi Xi'an Pharmaceutical Factory (陝西西安製藥廠), Xi'an Rejoy Medicine Co., Ltd. (西安利君醫藥有限責任公司) and Shaanxi Lijun Modern Chinese Medicine Co., Ltd. (陝西利君現代中藥有限公司), all of which are principally engaged in pharmaceutical business.

### (E) GENERAL

The Acquisition constituted a discloseable transaction of the Company as the relevant percentage ratios pursuant to Chapter 14 of the Listing Rules are more than 5% but less than 25%.

Your attention is also drawn to the Appendix to this circular.

Yours faithfully,  
For and on behalf of the Board  
**Lijun International Pharmaceutical (Holding) Co., Ltd.**  
**Wu Qin**  
*Chairman*

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS BY DIRECTORS

As at the Latest Practicable Date, the Directors and the chief executives of the Company had the following interests or short positions in the shares, debentures or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (“Model Code”) in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange:

### Long positions in the shares and underlying shares of the Company

Name of Director	Capacity	Number of shares held	Approximate percentage of the issued share capital of the Company
Mr. Wu Qin	Beneficial owner ( <i>Note 1</i> )	22,420,000	1.11%
Mr. Qu Jiguang	Interest in a controlled corporation ( <i>Note 2</i> )	563,000,000	27.77%
	Beneficial owner ( <i>Note 3</i> )	7,000,000	0.35%
Mr. Huang Chao	Beneficial owner ( <i>Note 3</i> )	5,000,000	0.25%
Mr. Xie Yunfeng	Beneficial owner ( <i>Note 3</i> )	7,000,000	0.35%
Mr. Wang Xianjun	Beneficial owner ( <i>Note 3</i> )	6,000,000	0.30%
Mr. Duan Wei	Beneficial owner ( <i>Note 3</i> )	7,000,000	0.35%

*Note:*

1. Among the 22,420,000 shares, 7,000,000 shares represent the underlying interest in shares of the Company pursuant to options granted to Mr. Wu Qin on 7 August 2008 under share option scheme of the Company adopted on 16 October 2005 (“Share Option Scheme”).
2. These shares were registered in the name of and beneficially owned by China Pharmaceutical Company Limited (“CPCL”). CPCL is held as to 72.93% by Mr. Qu Jiguang and as to 27.07% by 39 other shareholders. By virtue of Part XV of the SFO, Mr. Qu Jiguang is deemed to be interested in the Shares held by CPCL.
3. These shares represent the underlying interests in shares of the Company pursuant to options granted to the respective Directors on 7 August 2008 under the Share Option Scheme.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executives of the Company had any interest or short position in the securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO) or pursuant to the Model Code or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein.

## 3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to, or can be ascertained after reasonable enquiry by, the Directors and the chief executives of the Company, the following persons (not being a Director or the chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

**Long positions in the Shares**

<b>Name of Shareholder</b>	<b>Capacity</b>	<b>Number of shares</b>	<b>% of the issued share capital of the Company</b>
Prime United Industries Limited ( <i>Note 1</i> )	Beneficial owner	634,345,000	31.29%
CPCL ( <i>Note 2</i> )	Beneficial owner	563,000,000	27.77%
Victory Rainbow Investment Limited	Beneficial owner	291,500,000	14.38%
Grand Ocean Shipping Company Ltd. ( <i>Note 3</i> )	Interest of controlled corporation	291,500,000	14.38%
Ms. Chen Lin-Dong ( <i>Note 3</i> )	Interest of controlled corporation	291,500,000	14.38%
Mr. Xu Ming ( <i>Note 3</i> )	Interest of controlled corporation	291,500,000	14.38%

*Notes:*

- (1) Prime United Industries Limited is held as to about 2.43% by Mr. Wu Qin, an executive Director, as to about 2.41% by Mr. Huang Chao, an executive Director, as to about 4% by Mr. Xie Yunfeng, an executive Director, as to about 4% by Ms. Han Yamei, a member of the management of Xi'an Lijun and as to about 84.73% by Mr. Wu Qin, Mr. Huang Chao, Mr. Xie Yunfeng and Ms. Han Yamei who jointly hold such shares on trust for 4,536 individuals who are present and former employees or their respective estates of Xi'an Lijun and Rejoy Group Limited Liability Company ("Rejoy Group"). Mr. Wu Qin, Mr. Huang Chao and Mr. Xie Yunfeng, the executive Directors, are also directors of Prime United Industries Limited. Xi'an Lijun is a company established in the PRC with limited liability and wholly-owned by the Company. Rejoy Group is a company established in the PRC with limited liability and 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.
- (2) CPCL is held as to 72.93% by Mr. Qu Jiguang and as to 27.07% by 39 other shareholders. By virtue of Part XV of the SFO, Mr. Qu Jiguang is deemed to be interested in the Shares held by CPCL.
- (3) Victory Rainbow Investment Limited is wholly-owned by Grand Ocean Shipping Company Ltd., a company incorporated in the Republic of Liberia, which in turn is owned as to 50% by Ms. Chen Lin-Dong and 50% by Mr. Xu Ming. By virtue of Part XV of the SFO, each of Grand Ocean Shipping Company Ltd., Ms. Chen Lin-Dong and Mr. Xu Ming is deemed to be interested in the Shares held by Victory Rainbow Investment Limited.

Save as disclosed herein, the Directors and the chief executives of the Company are not aware of any person (other than a Director or the chief executive of the Company or his associates or a member of the Group) who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who has, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital as at the Latest Practicable Date.

#### 4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any other member of the Group which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

**5. COMPETING INTERESTS**

As at the Latest Practicable Date, to the best knowledge and belief of the Directors after having made all reasonable enquiries, none of the Directors and their respective associates were considered to have any interests in businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

**6. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any other member of the Group was engaged in any litigations or claims and no litigations or claims of material importance was pending or threatened against the Company or any member of the Group.

**7. MISCELLANEOUS**

- (a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681 GT, Grand Cayman KY1-1111, Cayman Islands and the head office and principal place of business of the Company in Hong Kong is at Office 2809, 28th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.
- (b) The principal share registrar and transfer office of the Company is Butterfield Fulcrum Group (Cayman) Limited at P.O. Box 705, Butterfield House, 68 Fort Street, George Town, Grand Cayman, Cayman Islands, British West Indies and the Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The company secretary and qualified accountant of the Company is Mr. Sze Wing Kin, Pierre, a fellow member of The Association of Chartered Certified Accountants and an associate member of The Hong Kong Institute of Certified Public Accountants.
- (d) The English text of this circular shall prevail over the Chinese text in case of inconsistency.