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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)**

### **RENEWAL OF CONTINUING CONNECTED TRANSACTION**

Reference is made to the Company's announcement dated 21 December 2009. The Company entered into the Existing Master Purchase Agreement with the Rejoy Technology Group for the purchase of raw materials and packaging materials by the Group from Rejoy Technology Group for a term of three years commencing from 1 January 2010 and ending on 31 December 2012, which constitutes a continuing connected transaction.

As the transaction contemplated under the Existing Master Purchase Agreement will continue, pursuant to Rule 14A.36(2) of the Listing Rules, the Company is required to comply with Rule 14A.35(3) of the Listing Rules. The Company therefore entered into the Master Purchase Agreement on 18 December 2012 with Rejoy Technology, the issued share capital of which is held as to 100% by the beneficial shareholders of Prime United Industries Limited, a Controlling Shareholder of the Company, pursuant to which the Rejoy Technology Group agrees to sell and the Group agrees to purchase raw materials and packaging materials from Rejoy Technology Group for the production and packaging of the products of the Group, for a term of three years commencing from 1 January 2013 and ending on 31 December 2015, renewable upon the agreement by the contracting parties.

As each of the applicable percentage ratios calculated pursuant to the Listing Rules exceeds 0.1% but is less than 5%, the transaction and its annual cap are subject to the annual review, reporting and announcement requirements and are exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors) consider that the terms of the Master Purchase Agreement are entered into in the ordinary and usual course of business of the Group, on normal commercial terms which, together with its annual cap, are fair and reasonable and the transactions contemplated under the Master Purchase Agreement are in the interest of the Company and the Shareholders as a whole.

## BACKGROUND

Reference is made to the Company's announcement dated 21 December 2009. The Company has entered into the Existing Master Purchase Agreement with the Rejoy Technology Group for the purchase of raw materials and packaging materials by the Group from Rejoy Technology Group for a term of three years commencing from 1 January 2010 and ending on 31 December 2012 and the annual cap for each of the three financial years ending 31 December 2012 is RMB5,000,000.

As the transaction contemplated under the Existing Master Purchase Agreement will continue, pursuant to Rule 14A.36(2) of the Listing Rules, the Company is required to comply with Rule 14A.35(3) of the Listing Rules. The Company therefore entered into the Master Purchase Agreement on 14 December 2012 with Rejoy Technology with details set out below.

## THE MASTER PURCHASE AGREEMENT

Date: 18 December 2012

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

Term: 1 January 2013 to 31 December 2015, renewable upon the agreement by the contracting parties.

\* *Prime United Industries Limited is held as to about 8.86% by Mr. Wu Qin, an executive Director, as to about 4% by Mr. Xie Yunfeng, an executive Director, as to about 2.41% by Mr. Huang Chao, a director of Xian Lijun and as to about 84.73% by Mr. Wu Qin, Mr. Xie Yunfeng and Mr. Huang Chao who jointly hold such shares on trust for approximately 3,000 individuals who are present and former employees or their respective estates of Xi'an Lijun Pharmaceutical Co., Ltd. ("Xi'an Lijun") and Rejoy Group Limited Liability Company ("Rejoy Group"). Mr. Wu Qin, Mr. Xie Yunfeng and Mr. Huang Chao are also directors of Prime United Industries Limited. Xi'an Lijun is a subsidiary of the Company. Rejoy Group is a company established in the PRC with limited liability and 100% owned by State-owned Assets Supervision and Administration Commission of the People's Government of Xi'an.*

## Subject matter, basis of calculation and annual cap

Pursuant to the Master Purchase Agreement, the Rejoy Technology Group agrees to sell and the Group agrees to purchase raw materials and packaging materials from the Rejoy Technology Group for the production and packaging of the products of the Group. The Group pays Rejoy Technology Group for the raw materials and packaging materials at prices no less favourable than those paid to independent third parties and on terms no less favourable than those the Group can obtain from

other comparable independent third parties, subject to an annual cap of RMB8,000,000 for each of the three financial years ending 31 December 2015. In addition, the prices are not fixed and are to be determined in accordance with prevailing market prices and to be agreed between the contracting parties from time to time. The Group's purchases from the Rejoy Technology Group are to be settled in cash on deferred basis under the normal credit terms of up to 3 months.

The Rejoy Technology Group is one of the many suppliers of our Group and the transactions with the Rejoy Technology Group accounted for only a very small percentage of the total purchases of the Group. The purchases of raw materials and packaging materials from the Rejoy Technology Group largely depends on the production needs of the Group.

For the two financial years ended 31 December 2010 and the eleven months ended 30 November 2011, the total amounts payable by the Group to the Rejoy Technology Group for the purchase of raw materials and packaging materials amounted to approximately RMB nil, RMB2,473,000 and RMB4,393,000 respectively.

The proposed annual cap is based on the estimated production needs for certain products using the raw materials or packaging materials to be purchased by the Group from the Rejoy Technology Group under the Master Purchase Agreement for the next three years. The Group estimates that the general demand for these products will have a possible annual increase of 40% to 60% in 2013 and will remain relatively stable in 2014 and 2015.

## **REASONS FOR ENTERING INTO THE MASTER PURCHASE AGREEMENT**

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

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

Since the Group has purchased raw materials and packaging materials from the Rejoy Technology Group under the Existing Master Purchase Agreement on an ongoing basis, save for the reasons disclosed in the "Background" section above, the Directors believe that it is also crucial for the Group to maintain the supply stability and quality for the existing and future production needs of the Group. The Directors are of the view that the Rejoy Technology Group can meet the Company's requirement in supply stability and quality. It is also important to the Group's day-to-day operations and financial performance to maintain a stable trading relationship through entering into the Master Purchase Agreement with the Rejoy Technology Group.

The Directors (including the independent non-executive Directors) consider that the terms of the Master Purchase Agreement are entered into in the ordinary and usual course of business of the Group, on normal commercial terms which, together with its annual cap, are fair and reasonable and the transactions contemplated under the Master Purchase Agreement are in the interest of the Company and the Shareholders as a whole.

Except for Mr. Wu Qin and Mr. Xie Yunfeng who are among the beneficial shareholders of Rejoy Technology, none of the Directors have any material interest in the Master Purchase Agreement. Accordingly, Mr. Wu Qin and Mr. Xie Yunfeng have abstained from voting at the board meeting approving the Master Purchase Agreement.

## **LISTING RULES IMPLICATIONS**

The transactions contemplated under the Master Purchase Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As each of the applicable percentage ratios calculated pursuant to the Listing Rules exceeds 0.1% but is less than 5%, the transaction and its annual cap are subject to the annual review, reporting and announcement requirements and are exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **DEFINITIONS**

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

“Board”	the board of Directors
“Company”	Lijun International Pharmaceutical (Holding) Co., Ltd., a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Existing Master Purchase Agreement”	the master purchase agreement entered into on 18 December 2009 between the Company and Rejoy Technology in relation to the purchase of raw materials and packaging materials from the Rejoy Technology Group

“Group”	the Company and its subsidiaries, including but not limited to Xi’an Lijun Pharmaceutical Co., Ltd. and Shijiazhuang No. 4 Pharmaceutical Co., Ltd.
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China which for the purpose of this announcement, excludes Hong Kong
“Rejoy Technology”	Xi’an Rejoy Technology Investment Co., Ltd.
“Rejoy Technology Group”	Rejoy Technology and its subsidiaries, including but not limited to Xi’an Rejoy Packaging Materials Co., Ltd.
“Rejoy Packaging”	Xi’an Rejoy Packaging Materials Co., Ltd., a subsidiary of Rejoy Technology
“Master Purchase Agreement”	the master purchase agreement entered into on 18 December 2012 between the Company and Rejoy Technology in relation to the purchase of raw materials and packaging materials from the Rejoy Technology Group
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board  
**Chow Hing Yeung**  
*Company Secretary*

Hong Kong, 18 December 2012

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