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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 TRANSACTIONS**

Reference is made to the continuing connected transactions as described in pages 128-139 in the Company's prospectus dated 2 December 2005 and the Company's announcement dated 20 December 2007.

As the transactions contemplated under the relevant agreements will continue, pursuant to Rule 14A.36(2) of the Listing Rules, the Company is required to comply with Rules 14A.35(3) of the Listing Rules. The Company therefore, entered into the Master Sale Agreement and the Master Purchase Agreement on 18 December 2009 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, pursuant to which (1) the Group agrees to sell and the Rejoy Technology Group agrees to purchase and distribute products of the Group and (2) 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, on a term of three years commencing from 1 January 2010 and ending on 31 December 2012, renewable upon the agreement by the parties.

As each of the applicable percentage ratios calculated pursuant to the Listing Rules is less than 2.5%, these transactions and their annual caps are subject to the reporting and announcement requirements and are exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The terms of the Master Purchase Agreement and the Master Sale Agreement are made on an arm's length basis in the ordinary and usual course of business of the Group and are on normal commercial terms which are no less favourable than terms available to or from independent third parties. The Directors (including the independent non-executive Directors) are of the view that the terms of the Master Purchase Agreement and the Master Sale Agreement and the corresponding annual caps thereof are fair and reasonable and in the interest of the Shareholders as a whole.

## **BACKGROUND**

Reference is made to the continuing connected transactions as described in pages 128-139 in the Company's prospectus dated 2 December 2005 and the Company's announcement dated 20 December 2007.

The Company has the following continuing connected transactions with the Rejoy Technology Group:

- 1) Rejoy Baichuan purchases products for the Group and distributes such products to other distributors and end customers for a term of three years commencing from 1 January 2007 and ending on 31 December 2009 and the annual cap for each of the three financial years ending 31 December 2009 is RMB21,500,000; and
- 2) purchase of packaging materials and raw materials by the Group from Rejoy Packaging and Rejoy Baichuan for a term of three years commencing from 1 January 2007 and ending on 31 December 2009 and the annual cap for each of the three financial years ending 31 December 2009 is RMB5,000,000.

As the transactions contemplated under relevant agreements are continuing, pursuant to Rule 14A.36(2) of the Listing Rules, the Company is required to comply with Rules 14A.35(3) of the Listing Rules. The Company therefore, entered into the Master Sale Agreement relating to item 1 above and the Master Purchase Agreement relating to item 2 above with details set out below.

## MASTER SALE AGREEMENT

**Date:** 18 December 2009

**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\*, the Controlling Shareholder and is accordingly a connected person of the Company

**Term:** 1 January 2010 to 31 December 2012, renewable upon the agreement by the parties.

\* *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, and as to about 84.73% by Mr. Wu Qin, Mr. Huang Chao and Mr. Xie Yunfeng who jointly hold such shares on trust for 4,479 individuals who are present and former employees or their respective estates of Xi'an Lijin and Rejoy Group Limited Liability Company, 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 Xian. Mr. Wu Qin, Mr. Huang Chao and Mr. Xie Yunfeng, the executive Directors, are also directors of Prime United Industries Limited.*

### **Subject matter, basis of calculation and annual cap**

Pursuant to the renewed Master Sale Agreement, the Group agreed to sell and the Rejoy Technology Group agreed to purchase and distribute products of the Group. The Rejoy Technology Group purchases products from the Group and distributes such products to other distributors and end customers. The selling prices of the Group's products sold to the Rejoy Technology Group should be determined in accordance with the market prices and terms and that the Group charges the Rejoy Technology Group for the products at prices no less favourable than those charged to independent third parties and on terms no less favorable than those the Group can obtain from independent third parties, subject to an annual cap of RMB21,500,000 for each of the three financial years ending 31 December 2012. The Group's sales to the Rejoy Technology Group are to be settled in cash on deferred basis under the normal credit terms of up to 3 months.

For the two years ended 31 December 2008 and the eleven months ended 30 November 2009, the Group's sales to the Rejoy Technology Group amounted to approximately RMB18,224,000, RMB16,569,000 and RMB6,260,000 respectively.

The Rejoy Technology Group is just one of the many distributors of our Group and the transactions with the Rejoy Technology Group accounted for only a very small percentage of the total sales of the Group. The sales to the Rejoy Technology Group largely depend on the sales of the Group.

The significantly lower figure for the Group's sales to the Rejoy Technology Group for the eleven months ended November 2009 when compared with those in the two preceding years is partly due to the weakened demand in the PRC pharmaceutical market as a result of the global financial crisis in 2008. However, the Directors believe that there is a restoration in the general sentiment in the PRC pharmaceutical market as the effect of the global financial crisis on the PRC is fading quickly. The Directors therefore anticipate that the demand in the PRC pharmaceutical market will not only return to the pre-financial crisis level but also expects a restoration of the high growth rate of the market to that prior to the global financial crisis.

The proposed annual cap is determined on the basis of the Group's historical revenue generated from the Rejoy Technology Group and the estimated growth in the Group's total sales for the three years ending 31 December 2012 due to a restoration in the demand and the high growth rate of the PRC pharmaceutical market to those prior to the global financial crisis in 2008 and the estimated growth in the Group's total sales. In addition, while the Directors anticipate growth in the Group's total sales for the three years ending 31 December 2012 (as compared with the sales figures for the eleven months ended 30 November 2009 and the two years ended 31 December 2008), this estimated growth is in part due to the disruption to the general demand in the PRC pharmaceutical market as a result of the global financial crisis in 2008 and in view of the competitions within the market, it is anticipated that the Group's sales to the Rejoy Technology Group for the three years ending 31 December 2012 will remain relatively stable after the initial high growth for the year ending 31 December 2010.

## **MASTER PURCHASE AGREEMENT**

**Date:** 18 December 2009

**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 and is accordingly a connected person of the Company

**Term:** 1 January 2010 to 31 December 2012, renewable upon the agreement by the parties.

### **Subject matter, basis of calculation and annual cap**

Pursuant to the renewed 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 prices and terms of the Master Purchase Agreement are as per market and shall be no less favourable than market prices and terms. 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 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 RMB5,000,000 for each of the three financial years ending 31 December 2012. For each of the two years ended 31 December 2008 and the eleven months ended 30 November 2009, the total amounts payable by the Group to the Rejoy Technology Group for the purchase of raw materials and packaging materials amounted to approximately RMB1,290,000, RMB3,398,000 and RMB2,292,000 respectively.

The Rejoy Technology Group is just 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 from the Rejoy Technology Group largely depends on the production needs of the Group and hence the purchase of raw materials and packaging materials.

The significantly lower figure for the Group's purchases from the Rejoy Technology Group for the eleven months ended November 2009 when compared with those in the two preceding years is partly due to the weakened demand in the PRC pharmaceutical market as a result of the global financial crisis in 2008. However, the Directors believe that there is a restoration in the general sentiment in the PRC pharmaceutical market as the effect of the global financial crisis on the PRC is fading quickly. The Directors therefore anticipate that the demand in the PRC pharmaceutical market will not only return to the pre-financial crisis level but also expects a restoration of the high growth rate of the market to that prior to the global financial crisis.

The proposed annual cap is based on the trend of historic transactions between the Group and the Rejoy Technology Group and the estimated growth in the production capacity for the three years ending 31 December 2012 due to a restoration in the demand and the high growth rate of the PRC pharmaceutical market to those prior to the global financial crisis in 2008 and the estimated growth in the production capacity of the Group. In addition, while the Directors anticipate growth in the Group's production capacity for the three years ending 31 December 2012 (as compared with the purchases figures for the eleven months ended 30 November 2009 and the two years ended 31 December 2008), this estimated growth is in part due to the disruption to the general demand in the PRC pharmaceutical market as a result of the global financial crisis in 2008 and in view of the competitions within the market, it is anticipated that the Group's purchases from the Rejoy Technology Group for the three years ending 31 December 2012 will remain relatively stable after the initial high growth for the year ending 31 December 2010.

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

The Group is one of the leading pharmaceutical manufacturers in the PRC, and 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, bulk pharmaceuticals and intravenous infusion solution.

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

The Rejoy Technology Group has been one of the Group's distributors in Xi'an and the Group has purchased raw materials and packaging materials from the Rejoy Technology Group on an ongoing basis. Save as the reasons disclosed in the "Background" section above, the Directors believe that it is also crucial to maintain the stability in supply and quality of the raw materials and packaging materials for the existing and future production needs of the Group and the distribution of the Group's products. In view of the past purchasing and distribution experience, the Directors are of the view that the Rejoy Technology Group can effectively fulfill the Company's high requirement in supply stability and product quality as well as the distribution effectiveness. It is important to the Group's day-to-day operations and financial performance to maintain a stable trading relationship with the Rejoy Technology Group through the entering into the Master Purchase Agreement and Master Sale Agreement.

## **LISTING RULES IMPLICATIONS**

The transactions contemplated under the Master Sale Agreement and 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 Rule 14.07 of the Listing Rules is less than 2.5%, these transactions and their annual caps are subject to the reporting and announcement requirements only and are exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The terms of the Master Purchase Agreement and the Master Sale Agreement are made on an arm's length basis in the ordinary and usual course of business of the Group and are on normal commercial terms which are no less favourable than terms available to or from independent third parties. The Directors (including the independent non-executive Directors) are of the view that the terms of the Master Purchase Agreement and the Master Sale Agreement and the corresponding annual caps thereof are fair and reasonable and in the interest of the Shareholders as a whole.

## DEFINITIONS

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

“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
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries, including but not limited to Xian 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
“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 at market prices for a term of up to 31 December 2012
“Master Sale Agreement”	the master sale agreement entered into on 18 December 2009 between the Company and Rejoy Technology in relation to the sale and distribution of the Group’s products at market prices for a term of up to 31 December 2012
“PRC”	the People’s Republic of China which for the purpose of this announcement, excludes Hong Kong

“Rejoy Baichuan”	Rejoy Baichuan Medicines Chemical Engineering Co., Ltd., a subsidiary of Rejoy Technology
“Rejoy Packaging”	Xi’an Rejoy Packaging Materials Co., Ltd., a subsidiary of Rejoy Technology
“Rejoy Technology”	Xi’an Rejoy Technology Investment Co. Ltd.
“Rejoy Technology Group”	Rejoy Technology and its subsidiaries, including but not limited to Rejoy Baichuan Medicines Chemical Engineering Co., Ltd. and Xi’an Rejoy Packaging Materials Co., Ltd.
“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  
**Sze Wing Kin, Pierre**  
*Company Secretary*

Hong Kong, 21 December 2009

*As at the date of this announcement, the Board comprises Mr. Wu Qin, Mr. Qu Jiguang, Mr. Huang Chao, Mr. Xie Yunfeng, Ms. Sun Xinglai, Mr. Wang Xianjun, Mr. Duan Wei, Ms. Zhang Guifu, Mr. Bao Leyuan and Ms. Gao Shuping as executive Directors, Mr. Liu Zhiyong as non-executive Director, and Mr. Wang Yibing, Mr. Leung Chong Shun and Mr. Chow Kwok Wai as independent non-executive Directors.*