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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 IN RELATION TO THE PROPOSED FORMATION OF A JOINT VENTURE**

The Board is pleased to announce that on 29 October 2010, the Company has entered into the JV Contract and the Articles of Association with Tonghua Dongbao in relation to the proposed establishment of the Joint Venture in Jilin, the PRC (subject to the approval of the relevant PRC authorities) for the manufacture and sale of large volume intravenous infusion solutions. Pursuant to the JV Contract and the Articles of Association, the total registered capital of the Joint Venture was RMB150 million (equivalent to approximately HK\$174 million). The Company will inject RMB90 million (equivalent to approximately HK\$104.4 million) and Tonghua Dongbao will contribute in kind by assets with a total value of RMB60 million (equivalent to approximately HK\$69.6 million) to the Joint Venture representing 60% and 40% of the registered capital of the Joint Venture respectively.

As one or more of the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the JV Contract is/are greater than 5% but less than 25%, the entering into of the JV Contract constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

Reference is made to the announcement of the Company dated 21 July 2010 regarding a memorandum of understanding entered into between the Company and Tonghua Dongbao in respect of the proposed formation of the Joint Venture in Jilin, the PRC for the manufacture and sale of large volume intravenous infusion solutions.

The Board is pleased to announce that on 29 October 2010, the Company further entered into the JV Contract and the Articles of Association with Tonghua Dongbao in relation to the proposed formation of the Joint Venture, subject to the approval of the relevant PRC authorities.

## **THE JV CONTRACT**

### **Date**

29 October 2010

### **Parties**

- (1) the Company (in the capacity of holder of 60% equity interest in the Joint Venture)
- (2) Tonghua Dongbao (in the capacity of holder of 40% equity interest in the Joint Venture)

In order to regulate the future affairs relating to the business and management of, as well as the respective rights and obligations of the owners of the equity interests in, the Joint Venture, the Company and Tonghua Dongbao entered into the JV Contract and the Articles of Association. The principal terms of the JV Contract are as follows:

#### **(a) *Capital contribution***

Each of the proposed total investment and the proposed total registered capital of the Joint Venture is RMB150 million (equivalent to approximately HK\$174 million). The Company will inject RMB90 million (equivalent to approximately HK\$104.4 million) in cash and Tonghua Dongbao will contribute in kind by assets including factories, machineries, land use rights, facilities and production permits of large volume intravenous infusion solutions with a total value of RMB60 million subject to valuation by a valuer (equivalent to approximately HK\$69.6 million) to the Joint Venture representing 60% and 40% of the proposed registered capital of the Joint Venture respectively.

The Company's investment in the Joint Venture is expected to be financed by internal resources.

Save for the proposed capital contribution under the JV Contract referred to above, neither the Company nor Tonghua Dongbao have committed to other contributions or made commitments of a capital nature for the Joint Venture.

**(b) *Operative term***

The operative term of the Joint Venture will be a period of 30 years and such term shall be extended upon agreement by the Company and Tonghua Dongbao and subject to the approval by the relevant government authorities and applicable rules and regulations.

**(c) *Proposed business scope***

The Joint Venture will engage principally in the manufacture and sale of large volume intravenous infusion solutions, subject to the approval of the relevant PRC authorities.

**(d) *Board of directors of the Joint Venture***

The board of directors of the Joint Venture comprises 5 directors (including the chairman and vice chairman of the board of directors), as to 2 directors nominated by Tonghua Dongbao, 3 directors nominated by the Company. The directors shall serve a term of 3 years. The chairman and the vice chairman of the board of directors of the Joint Venture shall be nominated by Tonghua Dongbao and the Company respectively.

**(e) *Sharing of profits or losses***

Within three months after the end of each financial year of the Joint Venture, the board of directors of the Joint Venture would decide whether or not to declare any dividends or make any distributions to the equity holders. The profits available for distribution of the Joint Venture will be distributed to the Company and Tonghua Dongbao in proportion to their respective equity interests in the Joint Venture.

**(f) *Transfer restrictions on the equity interest in the Joint Venture***

Any transfer of the equity interest of the Joint Venture by an equity holder is subject to the written approval from the other equity holder (which shall have the right of first refusal in respect of such transfer) and of the relevant government authorities in the PRC.

## **INFORMATION ON TONGHUA DONGBAO**

Tonghua Dongbao, listed on the Shanghai Stock Exchange (under stock code: 600867.SH), is engaged principally in the manufacture and sale of pharmaceutical products and construction materials in the PRC.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Tonghua Dongbao and its ultimate beneficial owner(s) are independent third parties not connected with the Board, chief executives or substantial shareholders of the Company or any of its subsidiaries or their respective associates as defined in the Listing Rules.

## **GENERAL**

The Company 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, including antibiotics, intravenous infusion solution, non-antibiotics finished medicines, bulk pharmaceuticals and OTC and healthcare products.

As one or more of the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the JV Contract is/are greater than 5% but less than 25%, the entering into of the JV Contract constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

To the knowledge of the Directors, the Joint Venture will become a subsidiary of the Company upon its establishment and its results will be consolidated into the results of the Group.

The Board believes that the JV Contract and the Articles of Association were entered into after arm's length negotiations between the Company and Tonghua Dongbao and are fair and reasonable and based on normal commercial terms. The Directors consider it to be in the interest of the Shareholders as a whole to form the Joint Venture as the Company is constantly expanding its production capacity and exploring high growth and potential projects in order to broaden its income stream and increase Shareholders' value. The proposed establishment of the Joint Venture represents a further step by the Company to expand its intravenous infusion solution business. The Directors consider that the proposed formation of the Joint Venture may contribute to the revenue and profit of the Company in the coming years and that the transaction is in the interests of the Company and its Shareholders as a whole.

## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Articles of Association”	the articles of association dated 29 October 2010 entered into between the Company and Tonghua Dongbao in relation to the proposed establishment and operation of the Joint Venture subject to the approval of the relevant PRC authorities
“Board”	the board of Directors
“Company”	Lijun International Pharmaceutical (Holding) Co., Ltd. (Stock code: 2005), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“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 PRC
“JV Contract”	the JV Contract entered into between the Company and Tonghua Dongbao dated 29 October 2010
“Joint Venture”	吉林利君東寶製藥有限公司(Jilin LJDB Pharmaceutical Ltd.), the proposed equity joint venture enterprise to be set up between the Company and Tonghua Dongbao pursuant to the JV Contract subject to the approval of the relevant PRC authorities
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China, for the purpose of this announcement, exclusively refer to Mainland China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the ordinary shares of HK\$0.02 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Tonghua Dongbao”	Tonghua Dongbao Pharmaceutical Co., Ltd. (通化東寶藥業股份有限公司), a company listed on the Shanghai Stock Exchange (under stock code: 600867.SH) in the PRC

*The figures in RMB are converted into HK\$ at the rate of RMB1:HK\$1.16 throughout this announcement for indicative purpose only.*

By order of the Board  
**Sze Wing Kin, Pierre**  
*Company Secretary*

Hong Kong, 29 October 2010

*As at the date of this announcement, the Board comprises Mr. Wu Qin, Mr. Qu Jiguang, Mr. Xie Yunfeng, Mr. Huang Chao, Ms. Sun Xinglai, Mr. Wang Xian Jun, 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.*