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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)

MAJOR AND CONNECTED TRANSACTION — DISPOSAL OF ENTIRE ISSUED SHARE CAPITAL OF XI'AN LIJUN PHARMACEUTICAL CO., LTD.

Financial adviser to the Company



BNP PARIBAS

CORPORATE & INVESTMENT BANKING

THE DISPOSAL AGREEMENT

The Board announces that on 29 August 2014, the Company as vendor entered into the Disposal Agreement with the Purchaser, pursuant to which the Company conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire equity interest in the Target Company at a cash consideration of HK\$772,000,000. Further, as agreed by the parties to the Disposal Agreement, the Target Company will declare a dividend of an amount equivalent to RMB80,000,000 (equivalent to approximately HK\$100,587,178) before Completion and such dividend will belong to the Company. The combined proceeds to be received by the Company pursuant to the transaction will be approximately HK\$872,587,178.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Disposal are higher than 25% but below 75%, the Disposal constitutes a major transaction for the Company and is subject to the notification, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Mr. Wu and Mr. Xie are ex-directors of the Company within the past 12 months. They are two of the three directors of Prime United, the controlling shareholder of the Purchaser. As such, the Disposal is a connected transaction for the Company.

EGM AND DESPATCH OF CIRCULAR

The EGM will be convened for the Shareholders to consider and, if thought fit, to approve the Disposal. An Independent Board Committee has been established to make recommendations to the Independent Shareholders regarding the Disposal. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Disposal.

A circular containing, among other things, (i) further particulars of the Disposal, (ii) the financial information of the Group, (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal, (iv) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Disposal, and (v) the notice of the EGM is expected to be despatched to the Shareholders on or before 22 September 2014.

As the Disposal may only proceed upon approval by the Independent Shareholders at the EGM, the issue of this announcement should not be regarded in any way as implying that the Disposal will be completed. Therefore, Shareholders and potential investors should exercise caution when dealing in the Shares.

INTRODUCTION

On 29 August 2014, the Company and the Purchaser entered into the Disposal Agreement, pursuant to which it conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire equity interest in the Target Company at a consideration of HK\$772,000,000. The principal terms and conditions of the Disposal Agreement are set out below.

THE DISPOSAL AGREEMENT

Date

29 August 2014

Parties

Vendor: Lijun International Pharmaceutical (Holding) Co., Ltd. (利君國際醫藥(控股)有限公司)

Purchaser: United Investments Group Limited (聯合投資集團有限公司), an investment holding company newly established for the transaction and is 76.24% owned by Prime United, 19.06% owned by Mr. Wu, and 4.70% owned by an independent third party.

Assets to be disposed of

The Company agreed to sell and the Purchaser agreed to purchase the entire equity interest in the Target Company together with all rights attaching thereto, including all rights to any dividend or other distribution declared, made or paid on or after Completion Date. Details of the principal activities and financial information of the Target Company are set out in the paragraph headed “Information on the Target Company” below.

Consideration and payment terms

The Consideration to be received by the Company pursuant to the Disposal Agreement will be HK\$772,000,000 in the following manner:

- (i) on the execution day of the Disposal Agreement, the Purchaser will pay HK\$200,000,000 as deposit;
- (ii) on the day of the approval of the Disposal by the relevant and applicable supervising authorities of registration of the Target Company, the Purchaser will pay HK\$263,200,000; and
- (iii) within three months from Completion, the Purchaser will pay the balance of the Consideration of HK\$308,800,000 to the Company. The parties agreed that the Land and Buildings will be pledged to the Company on or before 31 October 2014 to secure this payment.

Further, as agreed by the parties to the Disposal Agreement, the Target Company will further declare and distribute a dividend of an amount equivalent to RMB80,000,000 (equivalent to approximately HK\$100,587,178) within one week from the execution of the Disposal Agreement and such dividend will belong to the Company. The combined proceeds to be received by the Company pursuant to the transaction will be approximately HK\$872,587,178.

The Consideration was determined after arm’s length negotiation between the Purchaser and the Vendor with reference to, among other things, the historical financial performance of the Target Company including its revenue, net profit and net assets value of the Target Company based on the unaudited management accounts of the Target Company.

The Purchaser, on behalf of the Target Company, will be responsible for communications with the PRC tax authority regarding the tax arising from the Disposal. Within 14 days from the execution of the Disposal Agreement, the Purchaser will pay RMB23,600,000 into the Escrow Account. Any shortfall between such amount and the actual tax amount will be provided by the Purchaser whereas any surplus amount in the account will belong to the Purchaser.

Conditions precedent

Completion of the Disposal Agreement is conditional upon the fulfillment of all of the following conditions precedent:

- (a) the passing by the Independent Shareholders of an ordinary resolution approving the Disposal Agreement and the transactions contemplated thereunder in a manner as required by the Stock Exchange or under the Listing Rules, the bye-laws of the Company and any applicable laws and regulations; and
- (b) the approval of the Disposal by the relevant and applicable commerce supervising authorities of the Target Company.

The above conditions precedent cannot be waived. In the event that the any of the above conditions precedent has not been fulfilled on or prior to 31 October 2014 (or any later date as may be agreed by the parties), neither the Company nor the Purchaser shall be bound to proceed with the sale and purchase of the equity interest in the Target Company and the Disposal Agreement shall be terminated and none of the parties shall have any obligations and liabilities towards each other save for any antecedent breach of the Disposal Agreement.

Completion

Subject to the conditions precedent having been satisfied, Completion of the Disposal Agreement shall take place on the Completion Date following fulfillment of the above conditions precedent (or such other date as agreed between the parties).

INFORMATION ON THE TARGET COMPANY

The Target Company is one of the principal subsidiaries of the Company. It is located in the Xi'an City of Shannxi Province, the PRC and has a registered capital of RMB330,000,000 as at the date of this announcement. The Target Company is engaged in the development, manufacture and distribution of antibiotics, non-antibiotics finished medicines and bulk pharmaceuticals in the PRC. According to the unaudited management accounts of the Target Company, its net asset value was approximately HK\$809,180,000 as at 31 July 2014.

The following table sets out a summary of the unaudited major financial information of the Target Company for the two years ended 31 December 2012 and 2013 and six months ended 30 June 2014 prepared in accordance with the Hong Kong Financial Reporting Standards:

	Six months ended 30 June 2014 (unaudited) <i>HK\$ ('000)</i>	Year ended 31 December 2013 (unaudited) <i>HK\$ ('000)</i>	Year ended 31 December 2012 (unaudited) <i>HK\$ ('000)</i>
Turnover	530,730	1,022,059	1,012,510
Profit before Tax	47,221	51,186	50,070
Profit after Tax	40,674	44,005	43,705
Total assets	1,455,105	1,378,110	1,334,574
Total liabilities	509,008	427,880	383,455
Net assets	946,097	950,230	951,119

The Target Company has distributed a total dividend of RMB120,000,000 (equivalent to approximately HK\$150,880,766) since 30 June 2014.

FINANCIAL EFFECT OF THE DISPOSAL

Upon the completion of the Disposal, the Target Company will cease to be a subsidiary of the Company, and their financial results will cease to be consolidated with the accounts of the Company. After deducting all relevant expenses, the Company will receive net cash proceeds of approximately HK\$840,000,000 from the Disposal. Please also refer to the section headed “Use of Proceeds” section below. After deduction of necessary professional fees and all related expenses for the Disposal, and with reference to the unaudited financial results of the Target Company as at 31 July 2014, the expected gain on the Disposal and the distribution of the dividend prior to the Completion will be approximately HK\$30,000,000.

USE OF PROCEEDS

Subject to Completion and subsequent approval by Shareholders of use of the Company’s reserves, not less than 50% of the proceeds received from the Disposal will be declared by the Board as a special dividend during the first half of 2015; the remainder of the proceeds will be used as general working capital and for the business operation and development of the Company’s strategic intravenous infusion solution business.

REASONS FOR AND BENEFITS OF THE SHARE DISPOSAL

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. In recent years, the growth of the business of the Target Company has been stagnant. The contribution made by the Target Company to the Company compared with the resources consumed by the Target Company has not been on the same level as that from the intravenous infusion solution business, and therefore has dragged down the financial performance of the Company as a whole. In view of this, the Disposal is expected to allow the Company to reallocate resources to focus on business lines with higher growth potential.

The Target Company will need to relocate its plants in order to meet the new GMP requirements, which will require substantial amount of investment. The Company considers that it is not in the best interests of the Company to make such substantial investment into the Target Company with relatively lower operational efficiencies and growth potential. Instead, it is the Company's strategic development plan to further develop its intravenous infusion solution business, in particular the high margin/high growth non-PVC soft bags and other new products.

Lastly, the Company believes that the Disposal will enhance Shareholders' value by receiving a significant amount of proceeds to develop its strategic business while providing cash return to the Shareholders through the special dividend.

In view of the above reasons and benefits, the Directors (excluding the independent non-executive Directors who will express their view after taking into account the opinion and advice from the independent financial adviser to be appointed) are of the view that entering into Disposal Agreement by the Company is in the interests of the Company and the Shareholders as a whole and the terms of the Disposal Agreement are on normal commercial terms and in the ordinary and usual course of business, and are fair and reasonable.

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Mr. Wu and Mr. Xie are ex-directors of the Company within the past 12 months. They are two of the three directors of Prime United, the controlling shareholder of the Purchaser. As such, the Disposal is a connected transaction for the Company.

EGM AND DESPATCH OF CIRCULAR

The EGM will be convened for the Shareholders to consider and, if thought fit, to approve the Disposal. An Independent Board Committee has been established to make recommendations to the Independent Shareholders regarding the Disposal. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Disposal.

A circular containing, among other things, (i) further particulars of the Disposal, (ii) the financial information of the Group, (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal, (iv) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Disposal, and (v) the notice of the EGM is expected to be despatched to the Shareholders on or before 22 September 2014.

As the Disposal may only proceed upon approval by the Independent Shareholders at the EGM, the issue of this announcement should not be regarded in any way as implying that the Disposal will be completed. Therefore, Shareholders and potential investors should exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expression shall have the following meaning when used herein:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Lijun International Pharmaceutical (Holding) Co., Ltd. (利君國際醫藥(控股)有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion Date”	31 October 2014, or any other later date as may be agreed by the Company and the Purchaser
“Connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	HK\$772,000,000
“Directors”	director(s) of the Company (including independent non-executive director(s))
“Disposal”	disposal of the entire equity interest of the Target Company under the Disposal Agreement

“Disposal Agreement”	the conditional sale and purchase agreement dated 29 August 2014 between the Company as vendor and the Purchaser in relation to the disposal of the entire equity interest of the Target Company
“EGM”	an extraordinary general meeting to be convened by the Company to consider and, if thought fit, approve the Disposal by the Independent Shareholders
“Escrow Account”	an escrow account in the name of the Company to be held with a licensed bank in the PRC, and operated by the Company and the Purchaser jointly, for payment of tax arising from the Disposal
“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
“Independent Board Committee”	the board committee comprising all independent non-executive Directors, namely Mr. Wang Yibing, Mr. Leung Chong Shun, and Mr. Chow Kwok Wai, which has been established by the Board for the purpose of advising the Independent Shareholders in relation to the Disposal
“Independent Shareholder(s)”	Shareholder(s) other than (i) Mr. Wu, Mr. Xie, Prime United and any of their associates; (ii) any Shareholders with a material interest in the Disposal or the transactions contemplated therein
“Land and Buildings”	land and buildings situated at 中國陝西省西安市漢城南路 (Hancheng Nanlu, Xi’an City, Shannxi Province, PRC) owned by the Target Company
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wu”	Mr. Wu Qin, the previous chairman and executive director of the Company who resigned as such on 4 June 2014. He is also a director of the Target Company
“Mr. Xie”	Mr. Xie Yunfeng, a previous executive director of the Company who resigned as such on 4 June 2014
“Prime United”	Prime United Industries Limited, a company incorporated in British Virgin Islands with limited liability, a previous substantial shareholder of the Company. Prime United is held as to about 8.86% by Mr. Wu, as to about 4% by Mr. Xie, as to about 2.41% by Mr. Huang Chao, a director of the Target Company and as to about 84.73% by Mr. Wu, Mr. Xie 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 the Target Company and Rejoy Group. Mr. Wu, Mr. Xie and Mr. Huang Chao are also directors of Prime United

“PRC”	the People’s Republic of China
“Purchaser”	United Investments Group Limited (聯合投資集團有限公司), a company incorporated in Samoa
“Rejoy Group”	利君集團有限責任公司(Rejoy Group Limited Liability Company), a company incorporated in PRC with limited liability and 100% owned by State-owned Assets Supervision and Administration Commission of the People’s Government of Xi’an
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.02 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	西安利君製藥有限責任公司 (Xi’an Lijun Pharmaceutical Co., Ltd.), a foreign-invested company incorporated in the PRC with limited liability currently 100% owned by the Company

By Order of the Board
Chan Ka Kit
Company Secretary

Hong Kong, 29 August 2014

For the purpose of illustration in this announcement, figures in Renminbi are translated into Hong Kong dollars at the approximate exchange rate of RMB0.79533 to HK\$1.0000. In addition, all the English translation of the Chinese names of the companies established in the PRC are also for illustration purpose only.

As at the date of this announcement, the Board comprises Mr. Qu Jiguang, 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.