



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)

MEMORANDUM OF UNDERSTANDING IN RESPECT OF PROPOSED ACQUISITION OF 55% EQUITY INTEREST IN SUNSTONE (TANGSHAN) PHARMACEUTICAL CO., LTD. 太陽石(唐山)藥業有限公司

This announcement is made pursuant to Rule 13.09 of the Listing Rules.

The Board is pleased to announce that on 15 November 2006, the Company entered into the MOU with the Vendors in respect of the Proposed Acquisition, at a consideration to be determined based on the audited consolidated profit after tax and minority interest of SunStone for the year ending 31 December 2006 (in any case not more than HK\$35,000,000, whichever is lower), times the equity interests of 55% and multiplied by a price-to-earnings ratio of not more than 6 times.

The MOU does not constitute the parties' legally binding commitments as to the Proposed Acquisition, which is subject to the negotiation and execution of the Formal Agreement by the parties except that the Vendors may not, for a period of not less than 120 calendar days from the date of the MOU, negotiate or solicit offers from, or enter into contract or arrangement, whether conditionally or unconditionally with, any party other than the Company in relation to the Proposed Acquisition.

Based on information currently available to the Company and calculations by the Company in accordance with the requirements of the Listing Rules, if materialises, the Proposed Acquisition, may constitute a major transaction for the Company under Chapter 14 of the Listing Rules, and the Company will comply with the then relevant disclosures and/or shareholders' approval requirements of the Listing Rules as appropriate.

As the Proposed Acquisition may or may not materialise, shareholders of the Company and public investors are advised to exercise caution when dealing in shares of the Company.

THE MEMORANDUM OF UNDERSTANDING

Date

15 November 2006

Parties

Purchaser: The Company

Vendors: Chinespa Trade 2000 SL (齊發投資有限公司), Hong Kong Fly International Health Care Ltd. (香港福萊國際保健有限公司), Beijing City Service Company* (北京城市服務公司) and Qingdao Sun Stone Shengbang Pharmaceutical Company* (青島太陽石聖邦醫藥有限公司). To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Vendors are Independent Third Parties not connected with any of the Directors or substantial shareholders of the Company or any of its subsidiaries or any of their respective Associates as defined in the Listing Rules.

Subject matter

55% equity interest in SunStone

Consideration

To be determined based on the audited consolidated profit after tax and minority interest of SunStone for the year ending 31 December 2006 (in any case not more than HK\$35,000,000, whichever is lower), times the equity interests of 55% and multiplied by a price-to-earnings ratio of not more than 6 times.

Other material terms

a. Profit guarantee

Subject to the terms and conditions of the Formal Agreement to be executed by the parties, the Vendors jointly and severally guarantee that the audited consolidated profit after tax and minority interests of SunStone for each of the financial years ending 31 December 2007 and 2008 as certified by auditors shall not be less than HK\$40,000,000. In the event that such profits falls below the said amount, the Vendors shall make up the shortfall to the Company accordingly.

b. Non-competition

As a condition precedent to the Proposed Acquisition pursuant to the Formal Agreement, the Vendors shall execute a non-competition undertaking in favour of SunStone for a term of 10 years effective from the completion date of the Proposed Acquisition.

c. Exclusivity

Under the MOU, the Vendors have undertaken to the Company that they will not, for a period of not less than 120 calendar days from the date of the MOU, negotiate or solicit offers from, or enter into contract or arrangement, whether conditionally or unconditionally, with any party other than the Company in relation to the sale of interest in SunStone as contemplated under the MOU.

d. Non-legally binding

The MOU does not constitute the parties' legally binding commitments as to the Proposed Acquisition, which is subject to the negotiation and execution of the Formal Agreement by the parties except that the exclusivity provision in the MOU, as referred herein, constitutes the legally binding obligation on the part of the Vendors.

INFORMATION ABOUT SUNSTONE

Based on the information provided by the Vendors to date, SunStone is a Sino-foreign joint venture company and has commenced business in 1996. SunStone produces more than 60 sorts of medicines. The main products are bulk pharmaceutical, tablet, capsule, granule, oral solution, powder for injection. SunStone has obtained GMP certificate issued by PRC State Food and Drug Administration.

BENEFITS OF THE PROPOSED ACQUISITION

The products of SunStone are complements to the Group. Both the Group and SunStone have their own sales network, which can provide more marketing resources to each other. Furthermore, the Proposed Acquisition may reduce the cost of sales.

PROPOSED SOURCE OF FUNDING

If materialises, the Company currently intends to finance the Proposed Acquisition partly by its internal resources and/or bank borrowings and partly by capital market financing as the Directors consider appropriate.

GENERAL

Based on information currently available to the Company and calculations by the Company in accordance with the requirements of the Listing Rules, if materialises, the Proposed Acquisition, may constitute a major transaction for the Company under Chapter 14 of the Listing Rules, and the Company will comply with the then relevant disclosures and/or shareholders' approval requirements of the Listing Rules as appropriate.

This announcement is made pursuant to Rule 13.09 of the Listing Rules.

As the Proposed Acquisition may or may not materialise, shareholders of the Company and public investors are advised to exercise caution when dealing in shares of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Associates”	have the same meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors, including independent non-executive Directors, of the Company
“Business day”	any day (other than a Saturday or a Sunday) on which banks in Hong Kong are generally open for normal banking business

“Completion”	completion of the Formal Agreement which shall occur immediately after signing of the Formal Agreement and the fulfillment of all the conditions contained therein (if any)
“Company”	Lijun International Pharmaceutical (Holding) Co., Ltd (Stock code: 2005), whose shares are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Formal Agreement”	a formal sale and purchase agreement to be entered into between the Company and the Vendors in relation to the Proposed Acquisition, which may be entered into in the event that the Proposed Acquisition materialises
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong SAR
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	parties which are independent and not connected with any of the directors, chief executives, substantial shareholders or management shareholders of the Company or any of its subsidiaries or any of their respective associates as defined in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	the Memorandum of Understanding dated 15 November 2006 and entered into between the Company and the Vendors which set out the basic understanding between the parties thereto in connection with the Proposed Acquisition
“PRC”	the People’s Republic of China
“Proposed Acquisition”	the proposed acquisition by the Company of the 55% equity interest of SunStone as contemplated under the MOU
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“SunStone	Sunstone (Tangshan) Pharmaceutical Co., Ltd. (太陽石(唐山)藥業有限公司)

“Vendors”

Chinespa Trade 2000 SL (齊發投資有限公司), Hong Kong Fly International Health Care Ltd. (香港福萊國際保健有限公司), Beijing City Service Company* (北京城市服務公司) and Qingdao Sun Stone Shengbang Pharmaceutical Company* (青島太陽石聖邦醫藥有限公司)

By order of the Board
Lijun International Pharmaceutical (Holding) Co., Ltd.
Wu Qin
Chairman

Hong Kong, 21 November 2006

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.

As at the date of this announcement, the Board comprises Wu Qin, Wu Zhihong, Huang Chao, Xie Yunfeng, Sun Xinglai and Wang Xianjun as executive Directors, Liu Zhiyong as non-executive Director and Qu Jiguang, Leung Chong Shun and Chow Kwok Wai as independent non-executive Directors.

* *for identification purposes only*