

DRAGON PHARMACEUTICAL INC
Form PREM14A
April 01, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
 Confidential, for Use of the Commission only (as permitted by Rule 14a-6(e)(2))
 Definitive Proxy Statement
 Definitive Additional Materials
 Soliciting Material Pursuant to § 240.14a-12

DRAGON PHARMACEUTICAL INC.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required
 Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11
- | 1) | Title of each class of securities to which transaction applies: |
|----|---|
|----|---|

Common stock, par value \$0.001 per share

2) Aggregate number of securities to which transaction applies: 67,066,418 shares of common stock outstanding; in-the-money stock options with respect to 7,960,000 shares of common stock; and warrants with respect to 0 shares of common stock.

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

The maximum aggregate value was determined based upon the sum of (i) 67,066,418 shares of common stock multiplied by \$0.82 per share; and (ii) in-the-money stock options with respect to 7,960,000 shares of common stock multiplied by \$0.22 per share (which is the difference between \$0.82 and the weighted average exercise price of

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\$0.60 per share). In accordance with Exchange Act Rule 0-11(c), the filing fee was determined by multiplying 0.0000713 by the sum of the preceding sentence.

4) Proposed maximum aggregate value of transaction: \$56,745,662

5) Total fee paid: \$4,046

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- 1) Amount Previously Paid: _____
 - 2) Form, Schedule or Registration Statement No.: _____
 - 3) Filing Party: _____
 - 4) Date Filed: _____
-
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PRELIMINARY COPY

DRAGON PHARMACEUTICAL INC.
Suite 310, 650 West Georgia Street
Vancouver, British Columbia
Canada V6B 4N9
Telephone (604) 669-8817

[Date]

Dear Shareholder:

You are cordially invited to attend the special meeting of the shareholders of Dragon Pharmaceutical Inc. ("we", the "Company" or "Dragon") to be held at 10:30 a.m. local time, on _____, 2010 at Dragon's corporate office located at Suite 310, 650 West Georgia Street, Vancouver, British Columbia, Canada V6B 4N9.

At the special meeting, you will be asked to consider and vote upon the following proposals:

1. to adopt the Agreement and Plan of Merger, dated as of March 26, 2010, which we refer to as the "Merger Agreement" in this proxy statement, by and among Dragon, Chief Respect Limited, a Hong Kong corporation, Datong Investment Inc., a Florida corporation and subsidiary of Chief Respect Limited, and Mr. Yanlin Han, pursuant to which Datong Investment Inc. will merge with and into Dragon and each holder of Dragon shares of common stock, excluding Mr. Han, will receive \$0.82 per share.
2. to adjourn or postpone the special meeting, if necessary or appropriate, including to solicit additional proxies in the event there are not sufficient votes in favor of adoption of the Merger Agreement at the time of the special meeting; and
3. to conduct such other business as may properly come before the special meeting or any adjournment or postponement of the meeting.

Pursuant to the Merger Agreement, Datong Investment Inc., a Florida corporation, which we refer to as "MergerSub" in this proxy statement, will merge with and into Dragon, with our Company continuing as the surviving corporation of the merger. The shares of common stock of the Company held by Mr. Han prior to the merger will remain issued and outstanding after the merger and will not be affected by the merger. Following the merger, Dragon will become a subsidiary of Chief Respect Limited, a Hong Kong corporation which we refer to as "Parent" in this proxy statement, and the Parent and Mr. Han will be the shareholders of the surviving corporation.

After careful consideration and upon the recommendation of the Special Committee comprised entirely of directors with no financial interest in Parent and no affiliation (other than being Board members of the Company) with Mr. Yanlin Han, our board of directors (other than Mr. Han who did not participate in the deliberations or discussions related to the merger or vote on any matters related thereto) (i) determined that the Merger Agreement and the transactions contemplated by the merger agreement, including the merger, are substantively and procedurally fair to and in the best interests of our Company and our unaffiliated shareholders (by which we mean, for purposes of this determination, our shareholders other than Mr. Han); (ii) approved and authorized the Merger Agreement and the merger and (iii) recommends that you vote "FOR" the adoption of the Merger Agreement at the special meeting.

This proxy statement provides detailed information about the Merger Agreement and the merger. The description of the Merger Agreement and all other agreements in this proxy statement are subject to the terms of the actual agreements. We encourage you to read this proxy statement carefully, including its Appendixes and the documents we refer to in this proxy statement.

Your vote is very important, regardless of the number of shares you own. The proposed merger cannot be completed unless it is approved by (1) the affirmative vote of the holders of a majority of the outstanding shares of the Company's voting common stock entitled to vote on the merger which is required under Florida law (the "Florida law vote") and (2) a majority of the votes cast by holders of outstanding shares of the Company's voting common stock entitled to vote on the merger, excluding the votes cast by Mr. Han which is required under the rules of the Toronto Stock Exchange ("TSX vote") as described in the accompanying proxy statement. Mr. Han owned as of the record date approximately 38.0% of the Company's shares, which shares would be counted for the purpose of determining the Florida law vote but would not be counted for purpose of determining the TSX vote. Accordingly, assuming that Mr. Han voted all of his share in favor of the merger, the affirmative vote of greater than approximately 21% of the remaining 62% of the shares (or 13% of the all outstanding shares) would be required to approve the merger for purpose of the Florida law vote, and, assuming all of the Company's stockholders voted all of their shares with respect to the Merger Agreement, the affirmative vote of the majority of the remaining 62% of the shares would be required to approve the merger agreement for purposes of the TSX vote.

Only shareholders who owned shares of our common stock at the close of business on _____, the record date for the special meeting, will be entitled to vote at the special meeting. To vote your shares, you may use the enclosed proxy card or attend the special meeting and vote in person. On behalf of our board of directors, I urge you to complete, sign, date and return the enclosed proxy card as soon as possible, even if you currently plan to attend the special meeting.

Thank you for your support of our Company. I look forward to seeing you at the special meeting.

Sincerely,

/s/ Maggie Deng

Maggie Deng,
Secretary

The proxy statement is dated _____2010, and is first being mailed to shareholders on or about _____.

Neither the Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the merger, passed upon the merits or fairness of the merger or passed upon the adequacy or accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense.

In addition to delivering the proxy materials for the special meeting to be held on _____ to shareholders by mail, the proxy statement for such meeting is also available on our website at www.dragonpharma.com.

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This proxy statement incorporates important business and financial information about the Company from documents filed with the Securities and Exchange Commission that are not included in, or delivered with, this document. This information is available without charge at the Securities and Exchange Commission's website, <http://www.sec.gov>, as

well as from other sources. Refer to “WHERE YOU CAN FIND MORE INFORMATION.”

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SUMMARY TERM SHEET

This following summary term sheet highlights selected information from this proxy statement and may not contain all of the information that is important to you. To understand the merger fully and for a more complete description of the legal terms of the merger, we encourage you to read carefully this entire proxy statement, its Appendixes and the documents referred to or incorporated by reference in this proxy statement. Each item in this summary includes a page reference directing you to a more complete description of that topic. Refer to "Where You Can Find More Information."

The Parties to the Merger

Dragon Pharmaceutical Inc. Dragon Pharmaceutical Inc. is a manufacturer and distributor of a broad line of high-quality antibiotic products including Clavulanic Acid, 7-ACA, downstream cephalosporin active pharmaceutical ingredient and formulated powder for injection in both Chinese and emerging markets. Our headquarters are located at Suite 310, 650 West Georgia Street, Vancouver, British Columbia, Canada V6B 4N9. Our telephone number at our headquarters is (604) 669-8817. Dragon Pharmaceutical Inc. is referred to in this proxy statement as alternatively the "Company," "Dragon" and "we."

Chief Respect Limited, a Hong Kong corporation, is a new company which was formed in connection with the merger. Chief Respect Limited has not carried on any activities other than in connection with the merger. Mr. Han, our Chairman, Chief Executive Officer and owner of approximately 38.0% of the outstanding share of our common stock, is the sole shareholder of the Chief Respect Limited. Chief Respect Limited's principal offices are located at 11/F, AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong, and its telephone number is (852)-25823800. Chief Respect Limited is referred to in this proxy statement as "Parent."

Datong Investment Inc., a Florida corporation, is a wholly owned subsidiary of Parent and has not engaged in any business activity other than activities related to the purpose of merging with our Company. If the merger is completed, Datong Investment Inc. will cease to exist following its merger with and into our Company. The principal offices are located at c/o Corporation Service Company, 1201 Hays Street, Tallahassee, FL 32301. Datong Investment is referred to in this proxy statement as "MergerSub."

The Merger

Upon the terms and subject to the conditions set forth in the Merger Agreement, MergerSub, a wholly owned subsidiary of Parent, will merge with and into our Company. The shares of common stock of the Company held by Mr. Han prior to the merger will remain issued and outstanding after the merger and will not be affected by the merger. After the merger, Dragon will continue as the surviving corporation and as a subsidiary of Parent. The surviving corporation will be a privately held corporation with Mr. Han and the Parent as its shareholders. With the exception of Mr. Han, our current shareholders will cease to have any ownership interest in the surviving corporation or rights as shareholders of the surviving corporation.

Merger Consideration

If the merger is completed, each share of our common stock, other than as provided below, will be converted into the right to receive \$0.82 in cash, without interest and less any applicable withholding taxes. We refer to this consideration per share of common stock to be paid in the merger as the "merger consideration." The following shares of our common stock will not be converted into the right to receive the merger consideration in connection with the merger: (1) shares held by any of our shareholders who are entitled to and who properly exercise appraisal rights under Florida law; and (2) shares owned by Mr. Han. Mr. Han