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李 氏 大 藥 廠

Lee's Pharmaceutical Holdings Limited

李 氏 大 藥 廠 控 股 有 限 公 司 *

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 950)

SHARE TRANSACTION

Reference is made to the Announcements and Circular.

As disclosed in the Announcements and Circular, the shareholders of PPI (including the management of PPI, but except Lee's International) is entitled, pursuant to the Shareholders' Agreement, in their entire discretion to elect to exit the investment in PPI by delivering a notice in writing to, among others, the Company to convert all of their Subscription Shares or Milestone Shares to the Shares at the valuation of HK\$1.80 per Share with the Formula.

On 3 December 2014, Sigma-Tau has served a notice in writing to the Company electing to exercise the Conversion Right to convert 6,160 Subscription Shares held by Sigma-Tau into 4,333,333 Shares, representing approximately 0.80% of the total existing issued share capital of the Company and approximately 0.79% of the enlarged issued share capital of the Company, as determined in accordance with the Formula set forth in the Shareholders' Agreement. In return, as cost of the exercise of the Conversion Right, 6,160 Subscription Shares shall be transferred to Lee's International (at the direction of the Company).

On 3 December 2014, Dr. Li, Mr. Tsui, Mr. Wu and Mr. Regan Jr. have respectively served notices in writing to the Company electing to exercise the Conversion Right to convert 1,750 Milestone Shares, 3,050 Milestone Shares, 250 Milestone Shares and 450 Milestone Shares into 814,834 Shares, 1,420,138 Shares, 116,405 Shares and 209,529 Shares respectively, as determined in accordance with the Formula set forth in the Shareholders' Agreement. A total of 2,560,906 Shares will be issued by the Company, representing approximately 0.47% of the total existing issued share capital

* For identification purposes only

of the Company and approximately 0.47% of the enlarged issued share capital of the Company, for the exercise of Conversion Right attached to a total of 5,500 Milestone Shares. In return, as cost of the exercise of the Conversion Right, a total of 5,500 Milestone Shares shall be transferred to Lee's International (at the direction of the Company).

After the Transfer of Shares, Lee's International will hold legal and beneficial interest in an aggregate of 48,878 shares in PPI, representing approximately 56.63% of the entire issued shares in PPI, and PPI will continue to be an associated company of the Company.

The Share Transaction is intended to take place on or before 2 January 2015 (or such other date as agreed between Sigma-Tau, Dr. Li, Mr. Tsui, Mr. Wu, Mr. Regan Jr. and the Company).

The Share Transaction constitutes a share transaction as defined under Chapter 14 of the Listing Rules as the relevant percentage ratios for the Share Transaction are all less than 5%, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. The Issuance has been approved by the independent Shareholders in the extraordinary general meeting held on 31 December 2009, the Company issue this announcement in compliance with Rule 14.74 and Rule 14A.61 of the Listing Rules.

BACKGROUND

Reference is made to the Announcements and Circular in relation to, amongst others, the Subscription Agreement entered into between PPI, Lee's International, China Opportunity, Defiante Farmacêutica S.A. (which has merged with Sigma-Tau), Dr. Li, Mr. Tsui, Mr. Wu, Mr. Regan Jr. and the Company.

Pursuant to the Subscription Agreement, (a) PPI has allotted and issued 6,160 Subscription Shares in PPI to Sigma-Tau at the cash subscription price of US\$1,000,000, representing approximately 12.32% of the entire issued shares in PPI upon Completion and approximately 7.14% of the entire issued shares in PPI as at the date of this announcement; and (b) Lee's International has transferred 1,750 Milestone Shares, 3,050 Milestone Shares, 250 Milestone Shares and 450 Milestone Shares to Dr. Li, Mr. Tsui, Mr. Wu and Mr. Regan Jr. respectively at the consideration of US\$1.00 per Milestone Share.

Pursuant to the Subscription Agreement, the parties upon Completion entered into the Shareholders' Agreement on 8 January 2010 to regulate their conduct of business in PPI. Pursuant to the Shareholders' Agreement, each of the shareholders of PPI (including the management of PPI, but except Lee's International) is entitled in his/its entire discretion to elect to exit the investment in PPI by delivering a notice in writing to, among others, the Company to convert all of his/its Subscription Shares in PPI to Shares at the valuation of HK\$1.80 per Share in accordance with the Formula.

EXERCISE OF CONVERSION RIGHT

On 3 December 2014, Sigma-Tau has served a notice in writing to, among others, the Company electing to exercise the Conversion Right to convert 6,160 Subscription Shares held by Sigma-Tau into 4,333,333 Shares, representing approximately 0.80% of the total existing issued share capital of the Company and approximately 0.79% of the enlarged issued share capital of the Company, as determined in accordance with the Formula set forth in the Shareholders' Agreement. By applying the Formula as set out in the Shareholders' Agreement, the Company shall accordingly issue 4,333,333 Shares to Sigma-Tau.

In return, as cost of the exercise of the Conversion Right by Sigma-Tau, the 6,160 Subscription Shares shall be transferred from Sigma-Tau to Lee's International (at the direction of the Company).

On 3 December 2014, Dr. Li, Mr. Tsui, Mr. Wu and Mr. Regan Jr. have respectively served notices in writing to the Company electing to exercise the Conversion Right to convert 1,750 Milestone Shares, 3,050 Milestone Shares, 250 Milestone Shares and 450 Milestone Shares into 814,834 Shares, 1,420,138 Shares, 116,405 Shares and 209,529 Shares respectively, as determined in accordance with the Formula set forth in the Shareholders' Agreement. A total of 2,560,906 Shares will be issued by the Company, representing approximately 0.47% of the total existing issued share capital of the Company and approximately 0.47% of the enlarged issued share capital of the Company, to Dr. Li, Mr. Tsui, Mr. Wu and Mr. Regan Jr. for the exercise of Conversion Right attached to 5,500 Milestone Shares. In return, as cost of the exercise of the Conversion Right, a total of 5,500 Milestone Shares shall be transferred to Lee's International (at the direction of the Company).

After the Transfer of Shares, Lee's International will hold legal and beneficial interest in an aggregate of 48,878 shares in PPI, representing approximately 56.63% of the entire issued shares in PPI, and do not hold any Milestone Shares. PPI will continue to be an associated company of the Company.

The Share Transaction is intended to take place on or before 2 January 2015 (or such other date as agreed between Sigma-Tau, Dr. Li, Mr. Tsui, Mr. Wu, Mr. Regan Jr. and the Company).

THE CONSIDERATION SHARES

The valuation of HK\$1.8 for the issue of each Consideration Share in the Formula as set out in the Shareholders Agreement represents (i) an approximately 84.2% discount to the last traded price of HK\$11.400 per Share quoted on the Stock Exchange as at the date of this announcement; and (ii) an approximately 84.4% discount to the average closing price of approximately HK\$11.516 per Share as quoted on the Stock Exchange for the last five trading days immediately before the date of this announcement.

The Consideration Shares will be issued pursuant to the general mandate granted to the Directors at the Company's annual general meeting held on 12 May 2014. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The Consideration Shares shall, upon allotment and issue, rank *pari passu* in all respects with all other ordinary shares of the Company that are in issue as at the date of this announcement.

The issue of the Consideration Shares to Sigma-Tau, Dr. Li, Mr. Tsui, Mr. Wu, Mr. Regan Jr. by the Company is made in accordance with the terms of the Shareholders' Agreement and is conditional upon, *inter alia*, the Stock Exchange granting listing of, and permission to deal in, the Consideration Shares.

REASONS FOR THE SHARE TRANSACTION

The Company and Lee's International are to carry out the Share Transaction to fulfill their obligations under the Shareholders' Agreement, and in return for the Issuance, a total of 6,160 Subscription Shares and 5,500 Milestone Shares will be transferred to Lee's International (at the direction of the Company). After the Transfer of Shares, Lee's International will hold legal and beneficial interest in an aggregate of 48,878 shares in PPI, representing approximately 56.63% of the entire issued shares in PPI, and PPI will continue to be an associated company of the Company.

The Directors, including the independent non-executive Directors, believe that the terms of the Share Transaction are fair and reasonable and in the interests of the Shareholders as a whole.

INFORMATION OF PPI

PPI was incorporated in the British Virgin Islands on 6 August 2009, and is currently carrying on the business of, *inter alia*, producing, developing and sale of Zingo and the platform together with the accompanying powder intra-dermal injection system.

INFORMATION OF SIGMA-TAU

Sigma-Tau is a company incorporated and existing under the laws of Italy and is part of the Sigma-Tau Group which is a leading research-based Italian pharmaceutical company with over 2,400 employees worldwide. Therapeutic areas in which the Sigma-Tau Group's research and development are focused include oncology, neurology, cardiovascular, gastroenterology, metabolism and immunology. The Sigma-Tau Group has operating subsidiaries throughout Europe and the United States and maintains a presence in all of the world's major pharmaceutical markets.

GENERAL INFORMATION OF THE GROUP

The Group is a research-driven and market-oriented biopharmaceutical company focused on the PRC market. Through its operating subsidiary in the PRC, the Group develops, manufactures and markets proprietary pharmaceutical products in the PRC. It has established a sale and distribution network for pharmaceuticals covering most provinces and cities in the PRC, marketing both self-developed products and licensed products from abroad. The principal business activity of Lee's International is investment holding.

LISTING RULES IMPLICATIONS

The Share Transaction constitutes a share transaction as defined under Chapter 14 of the Listing Rules as the relevant percentage ratios for the Share Transaction are all less than 5%, and is subject to the reporting and announcement requirements under Chapter 14 of Listing Rules.

Sigma-Tau is a substantial shareholder of the Company, which hold approximately 25.31% of the total issued share capital of the Company as at the date of this announcement and upon the Issuance, it will hold approximately 26.10% of the total issued share capital of the Company as at the date of this announcement and 25.8% of the enlarged issued share capital of the Company. Sigma-Tau is a connected person of the Company within the meaning of the Listing Rules and the issue of Shares to Sigma-Tau constitutes a connected transaction of the Company. Dr. Li is an executive Director of the Company and is a connected person of the Company within the meaning of the Listing Rules and the issue of Shares to Dr. Li constitutes a connected transaction of the Company. The Issuance has been approved by the independent Shareholders in the extraordinary general meeting held on 31 December 2009, the Company issue this announcement in compliance with Rule 14.74 and Rule 14A.61 of the Listing Rules.

GENERAL

The audited consolidated profits before taxation of the Group for the two financial years ended 31 December 2013 and 31 December 2012 were approximately HK\$176.09 million and HK\$133.17 million respectively. The audited consolidated profits after taxation of the Group for the two financial years ended 31 December 2013 and 31 December 2012 were approximately HK\$149.00 million and HK\$113.07 million respectively. The consolidated net asset value of the Group as at 31 December 2013 and 31 December 2012 were approximately HK\$852.06 million and HK\$593.28 million respectively.

The audited loss before and after taxation of PPI for the two financial years ended 31 December 2013 and 31 December 2012 were approximately HK\$6.1 million and HK\$ 7.5 million respectively. The net asset value of PPI as at 31 December 2013 and 31 December 2012 were approximately HK\$41.1 million and HK\$51.2 million respectively. The net asset value of PPI based on the unaudited management account for the period ended 30 September 2014 was approximately HK\$35.5 million.

DEFINITIONS

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

“Announcements and Circular”	the announcement made by the Company on 4 December 2009, the circular issued by the Company on 14 December 2009 and the poll results announcement made by the Company on 31 December 2009 in relation to, among others, the Subscription Agreement
“Board”	board of Directors
“China Opportunity”	China Opportunity S.A. Sicar, a company with limited liability and incorporated under the laws of Luxembourg
“Company”	Lee’s Pharmaceutical Holdings Limited, a company incorporated in the Cayman Islands with limited liability with its issued shares listed on the Main Board of the Stock Exchange
“Completion”	completion of the subscription of Subscription Shares by the parties to the Subscription Agreement which took place on 8 January 2010
“connected person”	has the meaning ascribed to it under the Listing Rules
“connected transaction”	has the meaning ascribed to it under the Listing Rules
“Consideration Shares”	the 4,333,333 Shares, 814,834 Shares, 1,420,138 Shares, 116,405 Shares and 209,529 Shares to be issued by the Company to Sigma-Tau, Dr. Li, Mr. Tsui, Mr. Wu and Mr. Regan Jr. respectively upon exercise of the Conversion Right
“Conversion Right”	the conversion right granted under the Shareholders’ Agreement, pursuant to which each of the shareholders of PPI (including the management of PPI, but except Lee’s International) is entitled in his/its entire discretion to elect to exit the investment in PPI by delivering a notice in writing to, among others, the Company to convert all of his/its Subscription Shares or Milestone Shares to Shares
“Cost of Investment”	the cash subscription price of US\$1,000,000 paid by Sigma-Tau to PPI for the 6,160 Subscription Shares

“Director(s)”	director(s) of the Company
“Dr. Li”	Dr. Li Xiaoyi, an executive Director and member of management of PPI
“Formula”	(a) for Subscription Shares: Cost of Investment (in US\$) x 7.8/HK\$1.80 (b) for Milestone Shares: (Percentage of shares in PPI x Subscription Monies (in US\$)) x 7.8/HK\$1.80
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Issuance”	the issue of 4,333,333 Consideration Shares, 814,834 Consideration Shares, 1,420,138 Consideration Shares, 116,405 Consideration Shares and 209,529 Consideration Shares by the Company to Sigma-Tau, Dr. Li, Mr. Tsui, Mr. Wu and Mr. Regan Jr. respectively
“Lee’s International”	Lee’s Pharmaceutical International Limited, a company with limited liability and incorporated under the laws of the British Virgin Islands, and a wholly owned subsidiary of the Company
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Milestone Shares”	1,750 shares, 3,050 shares, 250 shares and 450 shares in PPI transferred to Dr. Li, Mr. Tsui, Mr. Wu and Mr. Regan Jr. pursuant to the terms of the Subscription Agreement and the Shareholders’ Agreement
“Mr. Regan Jr.”	Mr. John X. Regan Jr., a member of management of PPI
“Mr. Tsui”	Mr. Victor Tsui, a member of management of PPI
“Mr. Wu”	Mr. Vincent Wu, a member of management of PPI
“PPI”	Powder Pharmaceuticals Incorporated, a company with limited liability and incorporated under the laws of the British Virgin Islands

“Share Transaction”	the Issuance and the Transfer of Shares
“Shareholders’ Agreement”	the shareholders’ agreement dated 8 January 2010 entered into between PPI, Lee’s International, China Opportunity, Defiante Farmacêutica S.A. (which has merged with Sigma-Tau), Dr. Li, Mr. Tsui, Mr. Wu, Mr. Regan Jr. and the Company
“Shareholders”	holders of the Shares
“Shares”	ordinary share(s) of nominal value of HK\$0.05 each in the capital of the Company
“Sigma-Tau”	Sigma-Tau Industrie Farmaceutiche Riunite S.p.A., a company incorporated and existing pursuant to the laws of Italy
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement dated 2 December 2009 entered into between PPI, Lee’s International, China Opportunity, Defiante Farmacêutica S.A. (which has merged with Sigma-Tau), Dr. Li, Mr. Tsui, Mr. Wu, Mr. Regan Jr. and the Company, as supplemented by a letter agreement dated 2 December 2014
“Subscription Monies”	the aggregate par (and if applicable premium) paid or payable to PPI from time to time in respect of all of the issued shares of PPI
“Subscription Shares”	6,160 shares in PPI subscribed by Sigma-Tau pursuant to the Subscription Agreement
“subsidiary” or “subsidiaries”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Transfer of Shares”	the transfer of 6,160 Subscription Shares, 1,750 Milestone Shares, 3,050 Milestone Shares, 250 Milestone Shares and 450 Milestone Shares respectively from Sigma-Tau, Dr. Li, Mr. Tsui, Mr. Wu and Mr. Regan Jr. to Lee’s International (at the direction of the Company) in return, as cost of the exercise of the Conversion Right by Sigma-Tau, Dr. Li, Mr. Tsui, Mr. Wu and Mr. Regan Jr.

“US\$”	United States dollars, the lawful currency of the USA
“USA”	United States of America
“Zingo”	Lidocaine Hydrochloride Monohydrate, a novel pharmaceutical product for pain management which is a combination drug device indicated for use on intact skin to provide local analgesia prior to veni-puncture and intravenous cannulation
“%”	per cent

By order of the Board
Lee’s Pharmaceutical Holdings Limited
Lee Siu Fong
Chairman

Hong Kong, 3 December 2014

As at the date thereof, Ms. Lee Siu Fong (Chairman), Ms. Leelalertsuphakun Wanee and Dr. Li Xiaoyi are executive Directors; Mr. Mauro Bove is non-executive Director, Dr. Chan Yau Ching, Bob, Mr. Lam Yat Cheong and Dr. Tsim Wah Keung, Karl are independent non-executive Directors.