

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

CONTINUING CONNECTED TRANSACTION

**Independent Financial Advisor to the Independent Board Committee
and the Independent Shareholders**



信達國際融資有限公司
CINDA INTERNATIONAL CAPITAL LIMITED

Reference is made to the announcement of the Company dated 24 November 2009 in relation to the renewal of the Existing Distribution Agreement. The Existing Distribution Agreement will expire on 31 December 2012. The Board announces that the Company has indicated that they intend to renew the term of the Existing Distribution Agreement for three years from 1 January 2013 to 31 December 2015 on and subject to the same terms and conditions of the Existing Distribution Agreement.

Sigma-Tau IFR is a subsidiary of Sigma-Tau Finanziaria, which wholly owns Defiante, a substantial shareholder of the Company which holds approximately 26.43% of the total issued share capital of the Company as at the date of this announcement. Sigma-Tau IFR is an associate of Defiante and therefore a connected person of the Company within the meaning of the Listing Rules. The Renewal constitutes a continuing connected transaction on the part of the Company under Chapter 14A of the Listing Rules.

As certain applicable percentage ratios for the supply of Products by Sigma-Tau IFR to the Company pursuant to the Renewal calculated on an annual basis by reference to the estimated aggregate annual amount payable to Sigma-Tau IFR under the Renewal for each of the years ending 31 December 2015 on an annual basis is over 5%, the Renewal is subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

A circular containing, amongst other things, (i) further details of the Renewal (including the Annual Cap); (ii) the advice from the independent board committee of the Company; (iii) the advice from Cinda International to the independent board committee and the independent Shareholders of the Company; together with (iv) the notice convening an extraordinary general meeting of the Company will be dispatched to the Shareholders on or before 21 December 2012.

Shareholders and potential investors should note that the Renewal is subject to approval by independent Shareholders. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

BACKGROUND

Reference is made to the announcement of the Company dated 24 November 2009 in relation to the renewal of the Existing Distribution Agreement. The Existing Distribution Agreement will expire on 31 December 2012. The Board announces that the Company have indicated that they intend to renew the term of the Existing Distribution Agreement for three years from 1 January 2013 to 31 December 2015 on and subject to the same terms and conditions of the Existing Distribution Agreement.

PRINCIPAL TERMS OF THE RENEWAL

The principal terms of the Renewal are identical to the Existing Distribution Agreement. Pursuant to the terms of Existing Distribution Agreement, no renewal distribution agreement is required to be signed. Principal terms of the Existing Distribution Agreement is summarised below:

Parties

- (1) Sigma-Tau IFR
- (2) The Company

Sigma-Tau IFR is a subsidiary of Sigma-Tau Finanziaria, which wholly owns Defiante, a substantial shareholder of the Company which holds approximately 26.43% of the total issued share capital of the Company as at the date of this announcement. Sigma-Tau IFR is an associate of Defiante and therefore a connected person of the Company within the meaning of the Listing Rules.

Duration

The Renewal shall be effective for three years commencing on 1 January 2013 and ending on 31 December 2015, subject to the compliance under the Listing Rules. Subject to further independent shareholders' approval and any other requirements under the Listing Rules, the Company shall, at its sole discretion, have the right to exercise the option(s) to renew the Existing Distribution Agreement for another extended term of three years. The renewal option(s) could be exercised by the Company for not more than 2 more times.

Distribution Rights

Sigma-Tau IFR appoints the Company as its exclusive distributor to import, promote, distribute and sell the Products identified by the Trademark in the Territory.

Purchases and Sales

Sigma-Tau IFR agrees to sell exclusively to the Company the Products to be sold in the Territory and the Company agrees to purchase the Products from Sigma-Tau IFR or any company designated by Sigma-Tau IFR. The Company agrees to arrange, at its own care and expenses, directly or through a government approved entity in the Territory, for the importation of the Products into the Territory.

Government Approvals

The relevant import drug permits will be obtained in the name of Sigma-Tau IFR. The Company agrees to use its best efforts to obtain and/or maintain on Sigma-Tau IFR's behalf, in Sigma-Tau IFR's name and at the Company's cost and expense the relevant import drug permits, and any other marketing authorisations, permits, licenses and other government approvals that may be required for the sale of the Products within the Territory, including but not limited to any government approvals which may be required under any applicable law for the appointment of the Company as the distributor of the Products in the Territory.

Minimum Purchase Amounts

The Company undertakes to purchase from Sigma-Tau IFR the following minimum amount of Products per year:

- (a) during the first year from 1 January 2013 to 31 December 2013, the equivalent of an aggregate of EUR227,500 (approximately HK\$2,275,000);
- (b) during the second year from 1 January 2014 to 31 December 2014, the equivalent of an aggregate of EUR390,000 (approximately HK\$3,900,000); and
- (c) during the third year from 1 January 2015 to 31 December 2015, the equivalent of an aggregate of EUR731,250 (approximately HK\$7,312,500).

The minimum purchase amounts for each of the three years ended 31 December 2015 were arrived at after arm's length negotiations between the Company and Sigma-Tau IFR, taking into account the projected sales volume of the Products first marketed in the Territory. The minimum purchase amounts for each of the three years ended 31 December 2015 relates only to Nicetile® (Acetyl L-Carnitine) 30 tablets 500mg ("Nicetile tablets"), which is expected to be launched for sale in the Territory in the second quarter of 2013.

Pursuant to the Existing Distribution Agreement, payments by the Company for the Products shall be made in EUR within 90 days from the date of the relevant invoices and no fee is payable by Sigma-Tau IFR to the Company for marketing the Products, as well as procuring and/or maintaining their registration and importation, in the Territory. However, the provision of such services by the Company to Sigma-Tau IFR will enable the Company to be granted the sole and exclusive right to distribute the Products in the Territory, thereby increasing its competitive advantage and hence its profitability.

For the purpose of minimum purchase amounts, the first marketing year of Nicetile tablets shall be equal to 18 months. In the event that the Company fails to purchase 75% of the relevant minimum amount of Nicetile tablets for two subsequent marketing years, Sigma-Tau IFR is entitled to terminate the Existing Distribution Agreement limitedly to Nicetile tablets at any time at its sole discretion.

Free Products and Promotional Allowance Granted by Sigma-Tau IFR

In addition to the above, Sigma-Tau IFR will offer free of charge certain Products to the Company as promotional allowance equal to 3% to 20% of the Products ordered and paid for by the Company to Sigma-Tau IFR, depending on the quantity of such Products purchased by the Company during the term of the Renewal.

HISTORICAL TRANSACTION VALUE AND THE ANNUAL CAP

The aggregate value of purchases made by the Company from Sigma-Tau IFR for the past two financial years and ten months ended 31 October 2012 are set out below:

	2010	2011	Ten months ended 31 October 2012
	<i>(EUR)</i>	<i>(EUR)</i>	<i>(EUR)</i>
Total Purchase	1,435,001	3,940,523	3,793,359
Approved Annual Cap	2,533,160	6,037,827	9,875,641

The annual cap for each of the two financial years and ten months ended 31 October 2012 had not been exceeded.

As required under rule 14A.35(2) of the Listing Rules, for each year, there will be a maximum aggregate annual value arising from the transaction as contemplated under the Renewal. The following table sets out the Annual Cap for the Renewal for the three years ending 31 December 2015:

	2013 (EUR)	2014 (EUR)	2015 (EUR)
Annual Cap	15,439,521 (approximately HK\$154,395,210)	20,283,378 (approximately HK\$202,833,780)	39,101,029 (approximately HK\$391,010,290)

The Annual Cap is determined based on the following factors:

- (a) historical purchase amounts of the Products by the Company from Sigma-Tau IFR;
- (b) market expectation in the coming years;
- (c) forecast growth rates based on the historical growth rate in past years and the expected continuous economic growth in the Territory;
- (d) the plan of the Company to expand marketing manpower and cooperation with new distributors to increase geographical coverage of sales of the Products; and
- (e) approximate time required to obtain import drug permits and government approvals for the launch of the Products in the Territory.

The Directors expect that the relevant import drug permit and government approvals for Nicetile tablets and drinking form of Carnitene® in the Territory will be obtained in or around the first quarter of 2013. Upon obtaining the relevant import drug permits and government approvals, a broader variety of products may be sold by the Company in the Territory to satisfy different demands. The Directors expect a gradual and exponential increase in the maximum aggregate annual value for purchases of the Products from the year ending 31 December 2013 due to the expected launch of Nicetile tablets and drinking form of Carnitene® in the second quarter of 2013.

INFORMATION ON SIGMA-TAU IFR

Sigma-Tau IFR 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 approximately 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 ON 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 sales and distribution network for pharmaceuticals covering most provinces and cities in the PRC, marketing both self-developed products and licensed products from abroad.

REASONS FOR AND BENEFITS OF THE RENEWAL

The Company has been carrying on certain continuing connected transactions with the Sigma-Tau Group on an ongoing basis whereby the Sigma-Tau Group supplies pharmaceutical products to the Company for distribution in the Territory. On 1 October 2004, the Company first entered into distribution agreements with Sigma-Tau IFR and pursuant to which, the Products were supplied by Sigma-Tau IFR to the Company for a term expiring on 31 December 2009. On 24 November 2009, the Company entered into the Existing Distribution Agreement with Sigma-Tau IFR, pursuant to which the Products were supplied by Sigma-Tau IFR to the Company for a term expiring on 31 December 2012.

As the Directors intend that the Company's existing business relationship with Sigma-Tau Finanziaria shall continue beyond expiration of the Existing Distribution Agreement, the Company have indicated that they would renew the Existing Distribution Agreement for a term expiring on 31 December 2015.

The Directors (excluding the independent non-executive Directors who shall provide their views after considering the advice of the independent financial adviser) consider that the terms of the Renewal were entered into in the usual and ordinary course of business of the Company, were arrived at after arm's length negotiations between the Company and Sigma-Tau IFR, which are fair and reasonable, on normal commercial terms and in the interest of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

Sigma-Tau IFR is a subsidiary of Sigma-Tau Finanziaria, which wholly owns Defiante, a substantial shareholder of the Company which holds approximately 26.43% of the total issued share capital of the Company as at the date of this announcement. Sigma-Tau IFR is an associate of Defiante and therefore a connected person of the Company within the meaning of the Listing Rules. The Renewal constitutes a continuing connected transaction on the part of the Company under Chapter 14A of the Listing Rules.

As certain applicable percentage ratios for the supply of Products by Sigma-Tau IFR to the Company pursuant to the Renewal calculated on an annual basis by reference to the estimated aggregate annual amount payable to Sigma-Tau IFR under the Renewal for each of the years ending 31 December 2015 on an annual basis is over 5%, the Renewal is subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Save that Mr. Mauro Bove, a non-executive Director, is a senior officer of Sigma-Tau IFR, none of the Directors have material interest in the transactions as contemplated under the Renewal. Mr. Mauro Bove is required to abstain, or has abstained, from voting on the board resolution for approving the Renewal, the Annual Cap and the transactions as contemplated thereunder. Defiante and its associates shall abstain from voting on resolutions approving the Renewal and the transactions contemplated therein in the extraordinary general meeting of the Company to be held.

An independent board committee will be formed to consider the terms of the Renewal and the Annual Cap to be imposed pursuant to the requirements under the Listing Rules. Cinda International has been appointed as the independent financial adviser to advise the independent board committee of the Company and the independent Shareholders on the fairness and reasonableness of the terms of the Renewal and the Annual Cap.

A circular containing, amongst other things, (i) further details of the Renewal (including the Annual Cap); (ii) the advice from the independent board committee of the Company; (iii) the advice from Cinda International to the independent board committee and the independent Shareholders of the Company; together with (iv) the notice convening an extraordinary general meeting of the Company will be dispatched to the Shareholders on or before 21 December 2012.

DEFINITIONS

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

“Annual Cap”	the maximum aggregate annual value payable to Sigma-Tau IFR for the distribution of Products pursuant to the Renewal
“Board”	board of Directors
“Cinda International”	Cinda International Capital Limited, a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities and the independent financial advisor appointed to advise the independent board committee and the independent Shareholders in respect of the Renewal and the Annual Cap
“Company”	Lee’s Pharmaceutical Holdings Limited
“connected person”	has the meaning ascribed to it under the Listing Rules
“continuing connected transaction”	has the meaning ascribed to it under the Listing Rules
“Defiante”	Defiante Farmacêutica S.A., a company with limited liability and incorporated under the laws of Portugal, a substantial shareholder of the Company
“Director(s)”	director(s) of the Company
“EUR”	European Union euro, the lawful currency of European Union
“Existing Distribution Agreement”	the distribution agreement dated 24 November 2009, as amended by an amendment agreement dated 4 July 2012, entered into between Sigma-Tau IFR and the Company in relation to the supply of Products by Sigma-Tau IFR to the Company
“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
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	Macau Special Administrative Region of the PRC
“PRC”	People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“Products”	include: <ul style="list-style-type: none"> (a) Carnitene® (L-Carnitine) injectables of 1 gram and 2 grams, drinking vials of 1 gram and 2 grams which are used for secondary deficiencies, myocardial metabolic damage due to coronary heart disease angina, acute myocardial infarction, severe hypoperfusion conditions due to cardiogenic shock; (b) Carnitene® (L-Carnitine) 30% oral sol. of 20ml which is used for secondary deficiencies, myocardial metabolic damage due to coronary heart disease angina, acute myocardial infarction, severe hypoperfusion conditions due to cardiogenic shock; (c) Carnitor® (L-Carnitine) injectables of 1 gram which is used for secondary deficiencies, myocardial metabolic damage due to coronary heart disease angina, acute myocardial infarction, severe hypoperfusion conditions due to cardiogenic shock; (d) Carnitor® (L-Carnitine) 90 tablets of 330mg which is used for secondary deficiencies, myocardial metabolic damage due to coronary heart disease angina, acute myocardial infarction, severe hypoperfusion conditions due to cardiogenic shock;

	(e) Natulan® (Procarbazine HCl) 50 tablets of 50mg which is used for treatment of Hodgkin's lymphoma and other malignant lymphomas;
	(f) Nicetile® (Acetyl L-Carnitine) 30 tablets 500mg which is used for chemotherapy induced peripheral neuropathy; and
	(g) Nicetile® (Acetyl L-Carnitine) injectable of 500mg which is used for chemotherapy induced peripheral neuropathy
“Renewal”	the renewal of the Existing Distribution Agreement for a term of three years from 1 January 2013 to 31 December 2015
“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 Finanziaria”	Sigma-Tau Finanziaria SpA, a company organized and existing under the laws of Italy and the ultimate holding company of the Sigma-Tau Group
“Sigma-Tau IFR”	Sigma-Tau Industrie Farmaceutiche Riunite SpA, a company organized and existing under the laws of Italy and a member of the Sigma-Tau Group
“Sigma-Tau Group”	Sigma-Tau Finanziaria and its subsidiaries
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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
“Territory”	the PRC, Hong Kong and/or Macau

“Trademark”

include the trademarks:

- (a) Carnitene® and its Chinese version 可益能® as registered in the PRC; and
- (b) Carnitor® as registered in Hong Kong, in the name of Sigma-Tau IFR and/or any other trademark(s) also in the form of Chinese characters chosen at the sole discretion and registered in the name of Sigma-Tau IFR in the Territory to be used to identify the Products in the Territory
- (c) Natulan®
- (d) Nicetile®

“%”

per cent

For reference only, an exchange rate of HK\$10.00 to EUR1.00 has been used for the conversion of EUR to HK\$ for the purpose this announcement.

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

Hong Kong, 30 November 2012

* *For identification purpose only*

As at the date thereof, Ms. Lee Siu Fong (Chairman of the Company), 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.