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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)

REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS

Reference is made to the Announcement.

As disclosed in the Announcement, the Istaroxime Annual Cap and the Sigma-Tau Rostafuroxin Annual Cap for the year ended 31 December 2012 are each HK\$1,560,000. Due to an unexpected delay in the progress of the research development of the Istaroxime Products and the SERCA2a Products under the Istaroxime Licensing Agreement, and the Rostafuroxin Products under the Sigma-Tau Licensing Agreement, no experimental product was purchased in 2012, and as a result, the aforesaid Istaroxime Annual Cap and the Sigma-Tau Rostafuroxin Annual Cap for the year ended 31 December 2012 were unused.

It is expected that the experimental product will be purchased in 2013 as a result of the above unexpected delay in the progress of the research development. In addition, the Board anticipates that additional research development for the purpose of registration and commercialization of the Istaroxime Products, the SERCA2a Products and the Rostafuroxin Products will be required to carry out in 2013 and 2014, and as a result, additional experimental products will be purchased.

To cater for the purchase of experimental products to be made in 2013, and the additional experimental products which are anticipated to be purchased in 2013 and 2014, the Board proposes to revise each of the Istaroxime Annual Cap and the Sigma-Tau Rostafuroxin Annual Cap from HK\$0 to HK\$3,000,000 for the year ending 31 December 2013; and from HK\$0 to HK\$4,000,000 for the year ending 31 December 2014.

Pursuant to the Listing Rules, if the Board proposes to amend the annual caps for the continuing connected transactions, the Company will have to re-comply with the provisions of Chapter 14A of the Listing Rules in relation to the relevant continuing connected transactions. However, as certain applicable percentage ratios calculated on an annual basis are less than 5%, the aforesaid revision of the Istaroxime Annual Cap and the Sigma-Tau Rostafuroxin Annual Cap shall only be subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules and exempted from the requirement of the independent shareholders' approval.

BACKGROUND

Reference is made to the announcement of the Company dated 24 May 2012 (the “**Announcement**”) in relation to the grant of the licenses to CVie Therapeutics, a subsidiary of the Company, to use and exploit the Background Patents and/or Background Know-How in respect of the Products under (i) the Istaroxime Licensing Agreement with Sigma-Tau; (ii) the Rostaquo Licensing Agreement with Rostaquo; and (iii) the Sigma-Tau Licensing Agreement with Sigma-Tau. Capitalized terms used herein shall have the same meanings as those defined in the Announcement unless the context requires otherwise.

REVISION OF ANNUAL CAPS

As disclosed in the Announcement, the Istaroxime Annual Cap and the Sigma-Tau Rostafuroxin Annual Cap for the year ended 31 December 2012 are each HK\$1,560,000. Due to an unexpected delay in the progress of the research development of the Istaroxime Products and the SERCA2a Products under the Istaroxime Licensing Agreement, and the Rostafuroxin Products under the Sigma-Tau Licensing Agreement, no experimental product was purchased in 2012, and as a result, the aforesaid Istaroxime Annual Cap and the Sigma-Tau Rostafuroxin Annual Cap for the year ended 31 December 2012 were unused.

It is expected that the experimental product will be purchased in 2013 as a result of the above unexpected delay in the progress of the research development. In addition, the Board anticipates that additional research development for the purpose of registration and commercialization of the Istaroxime Products, the SERCA2a Products and the Rostafuroxin Products will be required to carry out in 2013 and 2014, and as a result, additional experimental products will be purchased.

To cater for the purchase of experimental products to be made in 2013, and the additional experimental products which are anticipated to be purchased in 2013 and 2014, the Board proposes to revise each of the Istaroxime Annual Cap and the Sigma-Tau Rostafuroxin Annual Cap from HK\$0 to HK\$3,000,000 for the year ending 31 December 2013; and from HK\$0 to HK\$4,000,000 for the year ending 31 December 2014.

The revised Istaroxime Annual Cap and the Sigma-Tau Rostafuroxin Annual Caps are determined with reference to (a) in relation to the revision of the Istaroxime Annual Cap and the Sigma-Tau Rostafuroxin Annual Caps for the year ending 31 December 2013 only, the original amount of the Istaroxime Annual Cap and the Sigma-Tau Rostafuroxin Annual Cap for the year 2012, and as disclosed in the Announcement, the basis of which were made by reference to the development plan of the Istaroxime Products and the SERCA2a Products under the Istaroxime Licensing Agreement, and the Rostafuroxin Products under the Sigma-Tau Licensing Agreement; and (b) in relation to the revision of the Istaroxime Annual Cap and the Sigma-Tau Rostafuroxin Annual Caps for both of the years ending 31 December 2013 and 31 December 2014, the latest development plan and progress on the research development of the Istaroxime Products and the SERCA2a Products under the Istaroxime Licensing Agreement, and the Rostafuroxin Products under the Sigma-Tau Licensing Agreement.

As a result of the aforesaid revision, the following tables set out the Istaroxime Annual Cap and the Sigma-Tau Rostafuroxin Annual Cap for the years ending 31 December 2015 (up to expiration of the initial term (the “**Initial Term**”) of three years commencing from the date when all the conditions precedent set out in each of the Istaroxime Licensing Agreement, Rostaquo Licensing Agreement, Sigma-Tau Licensing Agreement and Gimatecan Licensing Agreement (as defined below) are fulfilled):

Istaroxime Annual Cap

	2012		2013		2014		2015	
	(HK\$)		(HK\$)		(HK\$)		(up to expiration of the Initial Term)	
	Existing	Revised	Existing	Revised	Existing	Revised	Existing	Revised
Purchase of Istaroxime stock and/or SERCA2a Compounds and/or the experimental products	1,560,000	-	-	3,000,000	-	4,000,000	-	-
Annual cap	1,560,000	-	-	3,000,000	-	4,000,000	-	-

Sigma-Tau Rostafuroxin Annual Cap

	2012		2013		2014		2015	
	(HK\$)		(HK\$)		(HK\$)		(up to expiration of the Initial Term)	
	Existing	Revised	Existing	Revised	Existing	Revised	Existing	Revised
Purchase of Rostafuroxin stock and/or the experimental products	1,560,000	-	-	3,000,000	-	4,000,000	-	-
Annual cap	1,560,000	-	-	3,000,000	-	4,000,000	-	-

Save for the aforesaid revision on the annual caps, all other terms of the Istaroxime Licensing Agreement, the Rostaquo Licensing Agreement and the Sigma-Tau Licensing Agreement remain unchanged.

The Directors (including the independent non-executive Directors) are of the view that the continuing connected transactions above have been conducted on normal commercial terms, and the terms therein are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the revised Istaroxime Annual Cap and the Sigma-Tau Rostafuroxin Annual Cap above are fair and reasonable.

AGGREGATION ON THE ANNUAL CAPS

Sigma-Tau and Rostaquo are both controlled companies of STF, which directly and indirectly owns 100% equity interest in Defiante, a Substantial Shareholder, holding 26.41% of the total issued share capital of the Company as at the date of this announcement. Sigma-Tau and Rostaquo are both associates of Defiante and therefore are connected persons of the Company within the meaning of the Listing Rules. The transactions as contemplated under the Istaroxime Licensing Agreement, the Rostaquo Licensing Agreement and the Sigma-Tau Licensing Agreement shall constitute continuing connected transactions of the Company.

As announced on 23 November 2012, the grant of the license under the licensing agreement entered into between Lee's Pharmaceutical (HK) Limited and Sigma-Tau on 23 November 2012 (the "**Gimatecan Licensing Agreement**") shall also constitute a continuing connected transaction of the Company. In view of the fact that both CVie Therapeutic and Lee's Pharmaceutical (HK) Limited are subsidiaries of the Company and both Sigma-Tau and Rostaquo are associates of STF, and that the Istaroxime Licensing Agreement, the Rostaquo Licensing Agreement and the Sigma-Tau Licensing Agreement, together with the Gimatecan Licensing Agreement are all entered into with them, both of which are associated with STF, the annual caps for all of the above four licensing agreements may be aggregated.

The following table set out the annual caps for each of the Istaroxime Licensing Agreement, Rostaquo Licensing Agreement, Sigma-Tau Licensing Agreement and Gimatecan Licensing Agreement for the three years ending 31 December 2015 (up to expiration of the Initial Term):

	2012	2013	2014	2015 (up to expiration of the Initial Term)
	<i>(HK\$)</i>	<i>(HK\$)</i>	<i>(HK\$)</i>	<i>(HK\$)</i>
Istaroxime Licensing Agreement	–	3,000,000	4,000,000	–
Rostaquo Licensing Agreement	–	1,170,000	–	–
Sigma-Tau Licensing Agreement	–	3,000,000	4,000,000	–
Gimatecan Licensing Agreement	–	1,000,000	1,000,000	4,900,000
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Total aggregated annual caps	–	8,170,000	9,000,000	4,900,000
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LISTING RULES IMPLICATIONS

Pursuant to the Listing Rules, if the Board proposes to amend the annual caps for the continuing connected transactions, the Company will have to re-comply with the provisions of Chapter 14A of the Listing Rules in relation to the relevant continuing connected transactions. However, as certain applicable percentage ratios for the Istaroxime Licensing Agreement, the Rostaquo Licensing Agreement and the Sigma-Tau Licensing Agreement (based on the aforesaid revision of the Istaroxime Annual Cap and the Sigma-Tau Rostafuroxin Annual Cap), together with the Gimatecan Licensing Agreement calculated on an annual basis is less than 5%, the transactions as contemplated thereunder (and the aforesaid revision of the Istaroxime Annual Cap and the Sigma-Tau Rostafuroxin Annual Cap) shall only be subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules and exempted from the requirement of the independent shareholders' approval.

Save that Mr. Mauro Bove, a non-executive Director, is a senior officer of STF, none of the Directors have material interest in the transactions as contemplated under the aforesaid four licensing agreements. Mr. Mauro Bove is required to abstain, or has abstained, from voting on the board resolution for approving the aforesaid revision of the Istaroxime Annual Cap and the Sigma-Tau Rostafuroxin Annual Cap.

INFORMATION OF CVIE THERAPEUTICS

CVie Therapeutics is an exempted company with limited liability incorporated under the laws of the Cayman Islands. As at the date of this announcement, CVie Therapeutics is an indirect non wholly-owned subsidiary of the Company. CVie Therapeutics intends to develop, manufacture, distribute and/or sell three additional new pharmaceutical products and has obtained and will continue to obtain the necessary license rights (including patents and know-how) to develop, manufacture, distribute and/or sell such products. CVie Therapeutics has obtained the license rights for the pharmaceutical products containing Istaroxime, SERCA2a Compounds and Rostafuroxin from Sigma-Tau and Rostaquo, details of which are disclosed in the Announcement.

INFORMATION OF SIGMA-TAU AND ROSTAQUO

Sigma-Tau and Rostaquo are companies incorporated and existing under the laws of Italy. Both of Sigma-Tau and Rostaquo are part of the Sigma-Tau Group which is a leading research-based Italian pharmaceutical company. 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 sales and distribution network for pharmaceuticals covering most provinces and cities in the PRC, marketing both self-developed products and licensed products from abroad.

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

Hong Kong, 26 February 2013

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.

* *For identification purpose only*