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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)

CONNECTED TRANSACTION SUPPLEMENTAL AGREEMENT IN RELATION TO THE PURCHASE AGREEMENT

Reference is made to the announcement of the Company dated 6 July 2012 in relation to the Subscription (the “**Announcement**”). Capitalized terms used herein shall have the same meanings as those defined in the Announcement unless the context requires otherwise.

The Board is pleased to announce that on 1 March 2013, CVie Therapeutics, the Company, CCF and IBHL entered into a supplemental agreement to amend certain terms of the Purchase Agreement (the “**Supplemental Agreement**”).

IBHL is a substantial shareholder of CVie Therapeutics, holding 20.05% of the issued share capital of CVie Therapeutics as at the date of this announcement, and CVie Therapeutics is a non-wholly owned subsidiary of the Company. Therefore, IBHL is a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Supplemental Agreement constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

The applicable ratios under the Listing Rules in respect of the transactions contemplated under the Supplemental Agreement exceed 0.1% but is less than 5%, the transactions under the Supplemental Agreement is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE SUPPLEMENTAL AGREEMENT

Date

1 March 2013

The Parties

- (1) CVie Therapeutics as issuer, which is a 79.95% owned subsidiary of the Company as at the date of this announcement;
- (2) the Company as a warrantor of certain representations, warranties and undertakings given by the Company, CCF and CVie Therapeutics;
- (3) CCF, a wholly-owned subsidiary of the Company, holding 79.95% of the issued share capital of CVie Therapeutics as at the date of this announcement; and
- (4) IBHL as subscriber, which is a substantial shareholder of CVie Therapeutics, holding 20.05% of the issued share capital of CVie Therapeutics as at the date of this announcement.

IBHL, being a substantial shareholder of CVie Therapeutics which is a subsidiary of the Company, is a connected person of the Company under the Listing Rules.

Principal terms

The Special Tranche Issuance and Bridge Loan arrangement under the Purchase Agreement are removed and terminated. In addition, to expedite the Second Tranche Issuance under the Purchase Agreement, the Second Tranche Issuance is divided into stage 1 Series A-2 Shares (the “**Stage 1 Series A-2 Shares**”), which closing would no longer be pending for the achievement of the Milestone and the expiration of the Review Period as previously agreed under the Purchase Agreement, and stage 2 A-2 Shares (the “**Stage 2 Series A-2 Shares**”). IBHL shall subscribe 1,200,000 Stage 1 Series A-2 Shares at the purchase price of US\$2.50 per share. Upon completion of the subscription of the Stage 1 Series A-2 Shares (the “**Stage 1 Closing**”), the maximum amount under the Second Tranche Issuance under the Purchase Agreement will be reduced from US\$6,000,000 to US\$3,000,000, which will comprise the Stage 2 Series A-2 Shares.

Save as the amendments disclosed above, there are no other changes to the Purchase Agreement and all other terms and conditions under the Purchase Agreement shall remain in full force and effect.

Basis of the consideration

The purchase price for each of the Stage 1 Series A-2 Shares was determined after arm's length negotiation between the parties to the Supplemental Agreement with reference to (1) a fully-diluted pre-money valuation as agreed between the parties; (2) the total number of issued shares of CVie Therapeutics as at the date of this announcement and the total number of Shares to be issued under the Share Plan; and (3) the fact that Special Tranche Closings has not occurred.

Conditions to the Stage 1 Closing

The obligation of the parties to the Stage 1 Closing is subject to the fulfilment or waiver of the following conditions precedent:

- (a) IBHL, CVie Therapeutics, CCF and the Company shall have performed and complied with all agreements, obligations and conditions contained in the Supplemental Agreement that are required to be performed or complied with by them on or before Stage 1 Closing, and all applicable laws in connection with the transactions as contemplated under the Supplemental Agreement;
- (b) IBHL, CVie Therapeutics, CCF and the Company shall have obtained any and all consents and waivers necessary for consummation of the transactions contemplated by the Supplemental Agreement, including, but not limited to, all permits, authorizations, approvals, consents or licenses of any governmental authority; and
- (c) CVie Therapeutics, CCF and the Company shall have made or complied with all reporting, announcement and shareholders' approval requirements as may be required under the Listing Rules, all of which are required to consummate the transactions contemplated under the Supplemental Agreement.

Stage 1 Closing shall take place within 10 Business Days after the fulfilment and/or waiver of the conditions precedent to the Stage 1 Closing.

The following table shows the shareholding of CVie Therapeutics upon the Stage 1 Closing (assuming that no share option is exercised under the Share Plan):

	As at the date of this announcement				Immediately after Stage 1 Closing			
	No. of Ordinary Shares	No. of Series A Preference Shares	Total no. of Shares	Approx. %	No. of Ordinary Shares	No. of Series A Preference Shares	Total no. of Shares	Approx. %
CCF	7,595,238		7,595,238	79.95	7,595,238		7,595,238	70.98
IBHL		1,904,762	1,904,762	20.05		3,104,762	3,104,762	29.02
Total	7,595,238	1,904,762	9,500,000	100.00	7,595,238	3,104,762	10,700,000	100.00

CVie Therapeutics will continue to be a subsidiary of the Company after the Stage 1 Closing.

Use of Proceeds

The proceeds from the Stage 1 Closing will be used to develop, manufacture, register, use, market, distribute and sell the products containing the Licensed Assets in the PRC and such other purposes approved by the CVie Therapeutics Board (including the affirmative consent of the Series A Director).

INFORMATION OF IBHL

IBHL, incorporated in the British Virgin Islands, is an investment holding company.

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) (i.e. the Licensed Assets) to develop, manufacture, distribute and/or sell such products. CVie Therapeutics has obtained the license rights for the pharmaceutical products containing Rostafuroxin, Istaroxime and SERCA2a Compounds from Sigma-Tau Industrie Farmaceutiche Riunite S.p.A., and ROSTAQUO S.p.A., details of which are disclosed in the announcement made by the Company on 24 May 2012.

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.

REASONS FOR AND BENEFITS OF THE SUPPLEMENTAL AGREEMENT

The Company, through CVie Therapeutics, is diversifying its business scope in the manufacturing and sales of new pharmaceutical products. In connection with such objective, the Subscription would provide CVie Therapeutics with additional funding to develop, manufacture, distribute and/or sale of the new pharmaceutical products. The entering into of the Supplemental Agreement could expedite the Second Tranche Issuance under the Purchase Agreement.

The Directors, including the independent non-executive Directors, considered that the Supplemental Agreement, which has been signed after arm's length negotiation between the parties, are 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.

LISTING RULES IMPLICATIONS

IBHL is a substantial shareholder of CVie Therapeutics, holding 20.05% of the issued share capital of CVie Therapeutics as at the date of this announcement, and CVie Therapeutics is a non-wholly owned subsidiary of the Company. Therefore, IBHL is a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Supplemental Agreement constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

The applicable ratios under the Listing Rules in respect of the transactions contemplated under the Supplemental Agreement exceed 0.1% but is less than 5%, the transactions under the Supplemental Agreement is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors has a material interest in the transactions contemplated under the Supplemental Agreement and is required to abstain, or has abstained, from voting on the relevant Board resolutions to approve the Supplemental Agreement and the transactions contemplated thereunder.

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

Hong Kong, 1 March 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*