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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)

### **SHARE TRANSACTION**

Reference is made to the Announcements and Circular.

As disclosed in the Announcements and Circular, China Opportunity is entitled, pursuant to the Shareholders' Agreement, in its entire discretion to elect to exit the investment in PPI by delivering notice in writing to, among others, the Company to convert all of its Subscription Shares in PPI to the Company's Shares at the valuation of HK\$1.80 per share with the Formula.

China Opportunity has, pursuant to the Shareholders' Agreement, indicated its election to exercise the Conversion Right, which is acknowledged by the Company in writing to China Opportunity on 24 April 2013, under which 21,570 Subscription Shares held by China Opportunity shall be converted into the Company's Shares as determined in accordance with the calculation criteria set forth under the Shareholders' Agreement. By applying the Formula as set out in the Shareholders' Agreement (i.e.  $3,500,000 \times 7.8/1.8 = 15,166,667$ ), the Company shall accordingly issue 15,166,667 Company's Shares, representing approximately 2.91% of the total existing issued share capital of the Company and approximately 2.82% of the enlarged issued share capital of the Company, to China Opportunity, and in return, as the cost of the exercise of the Conversion Right by China Opportunity, 21,570 Subscription Shares in PPI shall be transferred from China Opportunity 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 34,218 shares in PPI, representing approximately 39.65% of the entire issued shares in PPI, and PPI will become an associated company of the Company.

The Share Transaction is intended to take place on or before 24 May 2013 (or such other date as agreed between China Opportunity 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.

## BACKGROUND

Reference is made to the announcement made by Lee's Pharmaceutical Holdings Limited (the "**Company**") on 4 December 2009, the circular made by the Company on 14 December 2009 and the poll results announcement made by the Company on 31 December 2009 (the "**Announcements and Circular**") in relation to, among all, the discloseable and connected transactions, under which a subscription agreement dated 2 December 2009 (the "**Subscription Agreement**") was entered into between Powder Pharmaceuticals Incorporated ("**PPI**"), Lee's Pharmaceutical International Limited (a wholly owned subsidiary of the Company) ("**Lee's International**"), China Opportunity S.A. Sicar ("**China Opportunity**"), Defiante Farmacêutica S.A. ("**Defiante**"), Dr. Li Xiaoyi ("**Dr. Li**"), Mr. Victor Tsui ("**Mr. Tsui**"), Mr. Vincent Wu ("**Mr. Wu**"), Mr. John X. Regan Jr. ("**Mr. Regan Jr.**") and the Company.

Pursuant to the Subscription Agreement, PPI shall allot and issue an aggregate of 40,499 shares in PPI (the "**Subscription Shares**") to Lee's International, Defiante, China Opportunity, Dr. Li, Mr. Tsui, Mr. Wu and Mr. Regan Jr.. Among others, 21,570 Subscription Shares, representing approximately 43.14% of the entire issued shares in PPI after completion of the subscription of the Subscription Shares, which took place on 8 January 2010 (the "**Completion**"), were allotted and issued to China Opportunity at the cash subscription price of US\$3,500,000 (the "**Cost of Investment**"). As at the date of this announcement, 21,570 Subscription Shares are held by China Opportunity, representing approximately 24.99% of the entire issued shares in PPI.

As disclosed in the Announcements and Circular, PPI, Lee's International, China Opportunity, Defiante, Dr. Li, Mr. Tsui, Mr. Wu, Mr. Regan Jr. and the Company, after Completion, entered into a shareholders' agreement dated 8 January 2010 (the "**Shareholders' Agreement**") to regulate their conduct of business in PPI. Pursuant to the Shareholders' Agreement, among all, each of these shareholders of PPI (except Lee's International) is entitled in his/its entire discretion to elect to exit the investment in PPI by delivering notice in writing to, among others, the Company to convert (the "**Conversion Right**") all of his/its Subscription Shares in PPI to shares of the Company (the "**Company's Shares**") at the valuation of HK\$1.80 per share with the formula of Cost of Investment (in US\$) x 7.8/HK\$1.8, subject to certain adjustment as set out in the Shareholders' Agreement (the "**Formula**").

## EXERCISE OF CONVERSION RIGHT

China Opportunity has, pursuant to the Shareholders' Agreement, indicated its election to exercise the Conversion Right, which is acknowledged by the Company in writing to China Opportunity on 24 April 2013, under which 21,570 Subscription Shares held by China Opportunity shall be converted into the Company's Shares as determined in accordance with the calculation criteria set forth under the Shareholders' Agreement. By applying the Formula as set out in the Shareholders' Agreement (i.e.  $3,500,000 \times 7.8/1.8 = 15,166,667$ ), the Company shall accordingly issue 15,166,667 Company's Shares, representing approximately 2.91% of the total existing issued share capital

of the Company and approximately 2.82% of the enlarged issued share capital of the Company, (the “**Consideration Shares**”) to China Opportunity (the “**Issuance**”), and in return, as the cost of the exercise of the Conversion Right by China Opportunity, the 21,570 Subscription Shares in PPI shall be transferred from China Opportunity to Lee’s International (at the direction of the Company) (the “**Transfer of Shares**”). After the Transfer of Shares, Lee’s International will hold legal and beneficial interest in an aggregate of 34,218 shares in PPI, representing approximately 39.65% of the entire issued shares in PPI, and PPI will become an associated company of the Company. In addition, Lee’s International will continue to hold as nominee 7,000 shares in PPI, representing approximately 8.11% of the entire issued share in PPI, (being the Milestone Shares (as defined in the Announcements and Circular)), which will be vested or transferred pursuant to the manner set out in the Subscription Agreement. For further details on the Milestone Shares, please refer to the Announcements and Circular.

The Issuance and the Transfer of Shares (collectively the “**Share Transaction**”) is intended to take place on or before 24 May 2013 (or such other date as agreed between China Opportunity 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 66% discount to the last traded price of HK\$5.330 per Company’s Share quoted on the Stock Exchange on 24 April 2013, the date of this announcement; and (ii) an approximately 66% discount to the average closing price of approximately HK\$5.334 per Company’s 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 of the Company (the “**Directors**”) at the Company’s annual general meeting held on 10 May 2012. An application will be made to The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) for the listing of, and permission to deal in, the Consideration Shares.

The Consideration Shares shall, upon issue and allotment, 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 China Opportunity 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, 21,570 Subscription Shares in PPI 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 34,218 shares in PPI, representing approximately 39.65% of the entire issued shares in PPI, and PPI will become 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 of the Company as a whole.

## **LISTING RULES IMPLICATIONS**

The Share Transaction constitutes a share transaction as defined under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (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.

## **GENERAL**

This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

To the best of knowledge, information and belief of the Directors having made all reasonable enquiries, China Opportunity and its ultimate beneficial owner are third parties independent of the Company and the connected persons (as defined in the Listing Rules) of the Company.

The audited consolidated profits before taxation of the Company and its subsidiaries (the "**Group**") for the two financial years ended 31 December 2012 and 31 December 2011 were approximately HK\$133.17 million and HK\$97.75 million respectively. The audited consolidated profits after taxation of the Group for the two financial years ended 31 December 2012 and 31 December 2011 were approximately HK\$113.07 million and HK\$84.02 million respectively. The consolidated net asset value of the Group as at 31 December 2012 and 31 December 2011 were approximately HK\$593.28 million and HK\$312.33 million respectively.

The audited loss before and after taxation of PPI for the two financial years ended 31 December 2012 and 31 December 2011 were approximately HK\$7.5 million and HK\$7.4 million respectively. The net asset value of PPI as at 31 December 2012 and 31 December 2011 were approximately HK\$51.2 million and HK\$54.8 million respectively. The net asset value of PPI based on the unaudited management account for the period ended 31 March 2013 was approximately HK\$49.1 million.

## **GENERAL INFORMATION OF THE GROUP**

The Group is a research-driven and market-oriented biopharmaceutical company focused on the People's Republic of China ("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. The principal business activity of Lee's International is investment holding.

## **INFORMATION ON CHINA OPPORTUNITY**

China Opportunity is a fund controlled by Sopaf S.p.A. and is dedicated to investment in Chinese companies with potential for international development.

## **INFORMATION OF PPI**

PPI is 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 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 and the platform together with the accompanying powder intra-dermal injection system.

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

Hong Kong, 24 April 2013

*As at the date thereof, Ms. Lee Siu Fong, 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*