

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Lee’s Pharmaceutical Holdings Limited (the “Company”), you should at once hand this circular and the accompanying proxy form to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.



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)

GENERAL MANDATES

TO ISSUE NEW SHARES AND REPURCHASE ITS OWN SHARES

The notice convening the annual general meeting of the Company to be held at Kennedy Room, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 29 April 2003 (Tuesday) at 4:30 p.m. is set out in the annual report of the Company for the year ended 31 December 2002 (the “2002 Annual Report”).

A form of proxy for the annual general meeting for the year ended 31 December 2002 is enclosed with the 2002 Annual Report. Whether or not you propose to attend the annual general meeting, you are requested to complete the form of proxy and return the same to the Company’s Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Room 1901-5 Hopewell Centre, 183 Queen’s Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting at the meeting or any adjourned meeting (as the case may be) if you so wish.

This circular will remain on the GEM website at www.hkgem.com on the “Latest Company Announcement” page for at least 7 days from the date of its publication.

28 March 2003

* For identification purpose only

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.



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)

Executive Directors:

Ms. Lee Siu Fong (*Chairman*)
Ms. Leelalertsuphakun Wanee
Mr. Lau Tai Wai

Registered office:

P.O. Box 309 GT, Uglund House
South Church Street
Grand Cayman, Cayman Islands

Independent non-executive Directors:

Dr. Chan Yau Ching, Bob
Mr. Leung Yun Fai

Place of business in Hong Kong:

Room 1905, Grand Millennium Plaza
Lower Block, 181 Queen's Road Central
Hong Kong

28 March 2003

To the shareholders of the Company

Dear Sir or Madam,

GENERAL MANDATES

TO ISSUE NEW SHARES AND REPURCHASE ITS OWN SHARES

INTRODUCTION

The Company's existing mandates to issue and repurchase shares of the Company ("Shares") were approved by the Company's then shareholders on 26 June 2002 prior to the commencement of listing of the Shares on GEM. Unless otherwise renewed, the existing mandates to issue and to repurchase Shares will lapse at the conclusion of the annual general meeting of the Company to be held at Kennedy Room, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 29 April 2003 (Tuesday) at 4:30 p.m. (the "AGM").

In compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") and in order to ensure flexibility when it is desirable to allot additional Shares or the repurchase Shares, the directors of the Company (the "Directors") will seek the approval of shareholders of the Company at the AGM to grant new general mandates to issue and to repurchase Shares.

The purpose of this circular is to provide you with information relating to the ordinary resolutions no. 4A to 4C (the "Ordinary Resolution no. 4A, 4B and 4C" respectively) to be proposed at the AGM (i)

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LETTER FROM THE BOARD OF DIRECTORS

to grant to the Directors a fresh general mandate (“New Issue Mandate”) to allot, issue and deal with new Shares up to a maximum of 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the Ordinary Resolution no. 4A; (ii) to grant to the Directors a fresh general mandate (“Repurchase Mandate”) to exercise the powers of the Company to repurchase the Company’s fully paid up Shares representing up to a maximum of 28,922,500 Shares, being 10% of the aggregate nominal amount of the issued shares capital of the Company as at the date of passing of the Ordinary Resolution no. 4B; and (iii) by extending the general mandate granted pursuant to Resolution no. 4A, to allot, issue and otherwise deal with Shares with an aggregate nominal amount not exceeding the aggregate nominal amount of the share capital of the Company purchased pursuant to the Repurchase Mandate (as more particularly described in the Ordinary Resolution no. 4C).

The previously granted general mandates will lapse at the conclusion of the AGM.

Under Rule 13.08 of the GEM Listing Rules, the Company is required to give its shareholders all information which is reasonably necessary to enable its shareholders to make an informed decision as to whether to vote for or against the resolution to renew the New Issue Mandate and the Repurchase Mandate. This circular is prepared for such purpose. The explanatory statement required by the GEM Listing Rules to be included in this circular is set out in the appendix to this circular.

GENERAL MANDATE TO ISSUE SHARES

The Company has in issue an aggregate of 289,225,000 Shares as at 27 March 2002, being the latest practicable date (the “Latest Practicable Date”) prior to the printing of this circular.

Subject to the passing of the Ordinary Resolution no. 4A and in accordance with the terms therein, the Company would be allowed to allot additional Shares up to the aggregate nominal amount of a maximum of 57,845,000 Shares on the basis that no further Shares will be issued or repurchased prior to the AGM.

ACTION TO BE TAKEN

Details of the proposed Ordinary Resolution no. 4A, 4B and 4C are contained in the notice (the “Notice”) convening the AGM. The Notice and a form of proxy for use at the AGM are enclosed with the 2002 Annual Report. To be valid, the form of proxy for use at the AGM must be completed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority at the Company’s share register in Hong Kong, Computershare Hong Kong Investor Services Limited, Room 1901-5 Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for holding the AGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjourned thereof should you so wish.

LETTER FROM THE BOARD OF DIRECTORS

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief: (1) the information contained in this circular is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this circular misleading; and (3) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

RECOMMENDATION

The Directors believe that the granting of fresh general mandates to allot, issue and deal with new Shares and to repurchase Shares are in the best interests of the Company and its shareholders as a whole. Accordingly, the Directors recommend you to vote in favour of the Ordinary Resolution nos. 4A to 4C to be proposed at the AGM.

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

1. GENERAL MANDATE TO REPURCHASE SHARES

This appendix serves as an explanatory statement, as required by the Rule 13.08 and other relevant provisions of the GEM Listing Rules, to provide requisite information to you for your consideration of the Repurchase Mandate.

2. GEM LISTING RULES RELATING TO THE REPURCHASE OF SHARES

The GEM Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their shares on GEM subject to certain restrictions, namely, Rule 13.04 to Rule 13.14, the more important of which are summarised below. The Company is empowered by its memorandum and articles of association to repurchase its own Shares.

(a) Shareholders' approval

All repurchase of Shares of the Company must be approved in advance by shareholders either by way of specific approval or a general mandate to the directors of the Company to make such purchase(s) by way of an ordinary resolution in accordance with Rule 13.09 of the GEM Listing Rules.

(b) Source of funds

Repurchase must be funded out of funds which are legally permitted to be utilised for such purpose and in accordance with the memorandum and articles of association of the Company and the laws of Hong Kong and the applicable Companies Law (2002 Revision) of the Cayman Islands (the "Companies Law"). A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

(c) Connected persons

The GEM Listing Rules prohibit a company from knowingly repurchasing shares on GEM from a "connected person", that is, a director, chief executive, substantial shareholder or management shareholder of the company or any of its subsidiaries or any of their associates (as defined in the GEM Listing Rules) and a connected person is prohibited from knowingly selling his shares to the company on GEM.

As at the Latest Practicable Date, to the best knowledge of the Directors, no connected person of the Company has notified the Company that he has a present intention to sell any Shares to the Company nor has any such connected person undertaken not to sell any Shares held by him/her to the Company in the event that such mandate as proposed in the Ordinary Resolution no. 4B is approved by the shareholders of the Company.

3. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 289,225,000 shares of HK\$0.05 each.

Subject to the passing of the Repurchase Mandate and on the basis that no Shares are issued or repurchased by the Company prior to the AGM, the Company will be allowed under the Repurchase Mandate to repurchase a maximum of 28,922,500 Shares of HK\$0.05 each during the period from the date of passing of the Ordinary Resolution no. 4B up to (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by its memorandum and articles of association or any applicable laws of the Cayman Islands to be held; or (iii) the revocation, variation or renewal of the Repurchase Mandate by ordinary resolution of the shareholders of the Company in general meeting, whichever occurs first.

4. REASONS FOR THE REPURCHASES

Although the Directors have no present intention of repurchasing any Shares of the Company, they believe that the flexibility afforded by the Repurchase Mandate would be in the best interests of the Company and its shareholders. An exercise of the Repurchase Mandate may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made when the Directors believe that such repurchase of Shares will benefit the Company and its shareholders.

5. FUNDING OF REPURCHASES

In repurchasing Shares, the Company may only apply funds legally permitted to be utilised for such purpose in accordance with its memorandum and articles of association, the laws of Hong Kong, the GEM Listing Rules and the applicable laws of the Cayman Islands.

Pursuant to the Repurchase Mandate, repurchase would be funded entirely from the Company's available cash flow or working capital facilities which will be funded legally available under applicable laws of the Cayman Islands for such purpose. The Company may not repurchase its own Shares on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

An exercise of the Repurchase Mandate in full could have a material adverse impact on the working capital and gearing position of the Company. The Directors do not, however, intend to make any repurchase in circumstances that would have a material adverse impact on the working capital requirement or gearing of the Company or on the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

6. SHARE PRICES

The highest and lowest prices at which the Shares have traded on the GEM in each of the previous nine months since 15 July 2002 (the date of listing of the Shares on GEM) are set out as follows:

Month	Prices of Shares	
	Highest HK\$	Lowest HK\$
2002		
July	0.580	0.365
August	0.500	0.425
September	0.460	0.415
October	0.475	0.385
November	0.465	0.360
December	0.400	0.340
2003		
January	0.415	0.385
February	0.390	0.305
March (up to the Latest Practicable Date, 27 March 2003)	0.330	0.290

7. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the respective interests of each of the substantial shareholders, being persons or corporations who are entitled to exercise or control the exercise of 10% or more of voting power at any general meeting of the Company (the “Substantial Shareholders”) in the share capital of the Company are set out as follows:

Name	Number of Shares beneficially held	Percentage of shareholding
Huby Technology Limited	155,290,625	53.7%
Ms. Lee Siu Fong	165,625,000	57.3%
Ms. Leelalertsuphakun Wanee	163,290,625	56.5%

Saved as disclosed above, no person has notified the Company that he has an interest amounting to 10% or more of the issued share capital of the Company as at the Latest Practicable Date pursuant to Section 16(1) of the Securities (Disclosure of Interests) Ordinance.

8. DISCLOSURE OF INTERESTS, THE CODE AND MINIMUM PUBLIC HOLDING

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, their associates (as defined in the GEM Listing Rules) currently intends to sell any Shares to the Company or its subsidiaries under the Repurchase Mandate if such is approved by the shareholders of the Company.

9. DIRECTORS' UNDERTAKING

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchase pursuant to the Repurchase Mandate, if granted, in accordance with the GEM Listing Rules, the memorandum and articles of association of the Company and the applicable laws and regulations of the Cayman Islands.

In the event that the Substantial Shareholders do not dispose of their Shares, if the Repurchase Mandate were exercised in full, the percentage shareholding of the Substantial Shareholders of the Company before and after such repurchase would be as follows:

Name	Before repurchase	After repurchase
Huby Technology Limited	53.7%	59.7%
Ms. Lee Siu Fong	57.3%	63.6%
Ms. Leelalertsuphakun Wanee	56.5%	62.7%

10. TAKEOVER CODE CONSEQUENCES

If a shareholder's proportionate interest in the voting rights of the Company increases on the Company exercising its powers to repurchase its Shares pursuant to the Repurchase Mandate, such increase will be treated as an acquisition for the purpose of Rule 32 of the Hong Kong Code on Takeovers and Mergers (the "Code"). As a result, a shareholder or a group of shareholders acting in concert (within the meaning under the Code) could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Code.

In the event that the Directors exercise in full the power to repurchase shares of the Company in accordance with the terms of the Ordinary Resolution no. 4A to be proposed at the AGM, the total interests of Huby Technology Limited, Ms. Lee Siu Fong and Ms. Leelalertsuphakun Wanee in the existing share capital of the Company would be proportionally increased to approximately 59.7%, 63.6% and 62.7% respectively. On the basis of the shareholdings held by the Substantial Shareholders named above, an exercise of the Repurchase Mandate in full will not have any implications under the Code. The Directors have no intention to exercise the Repurchase Mandate to an extent as may result in mandatory offer under the Code.

Assuming that there is no issue of Shares in the Company between the Latest Practicable Date and the date of repurchase, an exercise of the Repurchase Mandate whether in whole or in part will result in less than the relevant prescribed minimum percentage of the Shares of the Company being held by the public as required by the Stock Exchange. The Directors have no intention to exercise the Repurchase Mandate to an extent as may result in a public shareholding of less than such minimum percentage.

11. SHARE REPURCHASE MADE BY THE COMPANY

The Company had not repurchased any of its Shares (whether on GEM or otherwise) since 15 July 2002 (date of listing of the Shares on GEM) up to the Latest Practicable Date.