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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)*

(Stock Code: 8221)

### SUBSCRIPTION FOR NEW SHARES

The Board is pleased to announce that on 10 August 2009 (after trading hours) the Company and the Subscriber entered into the Subscription Agreement pursuant to which the Company has conditionally agreed to issue 30,273,437 Subscription Shares at a price of HK\$0.64 per Subscription Share to the Subscriber or its nominee, who is not a connected person of the Company (as defined in the GEM Listing Rules).

#### **Subscription for Shares**

The Subscription Price of HK\$0.64 per Subscription Share represents approximately 18.58% discount to the average closing price per Share for the five consecutive trading days ended on the Last Trading Day and represents a discount of about 17.95% to the closing price per Share of HK\$0.78 as quoted on GEM on the Last Trading Day.

**Completion of the Subscription is subject to the fulfillment of the conditions precedent stated in the Subscription Agreement. As the Subscription may or may not complete, Shareholders and potential investors are advised to exercise caution when dealing in Shares.**

The Subscription Shares represent approximately 7.28% of the Company's entire issued Shares as at the date this announcement and approximately 6.79% of the Company's entire issued Shares as enlarged by the allotment and issue of the Subscription Shares. The Subscription Shares will be allotted and issued pursuant to the general mandate granted to the Board at the annual general meeting of the Company held on 5 May 2009.

The proceeds from the Subscription of approximately US\$2,500,000 (equivalent to approximately HK\$19,375,000) will be used for business expansion, capital expenditures and general working capital of the Company.

\* *for identification purposes only*

## **INTRODUCTION**

On 10 August 2009 (after trading hours) the Company and the Subscriber entered into the Subscription Agreement pursuant to which the Company has conditionally agreed to issue the Subscription Shares at the Subscription Price per Subscription to the Subscriber.

## **THE SUBSCRIPTION AGREEMENT**

### **Date**

10 August 2009

### **Issuer**

The Company

### **Subscriber**

Vivo Ventures Fund Cayman VI, L.P., a limited partnership organized under the laws of the Cayman Islands. To the best of the Director's knowledge, information and belief having made all reasonable enquiry, the Subscriber and the ultimate beneficial owner of the Subscriber are third parties independent of the Company and connected person of the Company (as defined in the GEM Listing Rules) nor did it hold or interested in any Shares immediately before the entering into of the Subscription Agreement. Upon completion of the Subscription, it is expected that the Subscriber or its nominee, holding an equity interest of approximately 6.79% in the share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, will not become a substantial shareholder (as defined under the GEM Listing Rules) of the Company.

The Subscriber is the sixth fund of Vivo Ventures, a life-sciences focused venture capital firm with more than US\$650 million under management. The Subscriber is currently making investments from its US\$275 million funds into promising biotechnology and life science companies.

With more than 90 years of scientific and operational expertise in biotechnology, Vivo Ventures helps its portfolio companies develop corporate strategy, arrange licensing agreements and strategic alliances, recruit key management personnel and acquire new products and technology to accelerate growth. Its current portfolio includes more than 60 private and public biotechnology companies in the areas of biopharmaceuticals, specialty pharmaceuticals and medical devices.

### **Subscription Shares**

30,273,437 Subscription Shares (with aggregate nominal value of HK\$1,513,671.85) represents approximately 7.28% of the existing issued share capital of the Company of 415,575,000 Shares in issue as at the date of this announcement and approximately 6.79% of the issued share capital of the Company of 445,848,437 Shares as enlarged by the allotment and issue of the Subscription Shares.

### **Ranking of the Subscription Shares**

The Subscription Shares, when allotted and issued, will rank pari passu in all respects among themselves and with the Shares in issue as at the date of issue of the Subscription Shares, including the right to receive all future dividends and distributions which may be declared, made or paid by the Company on or after the date of allotment and issue of the Subscription Shares.

### **Subscription Price**

The Subscription Price of HK\$0.64 per Share represents:

- (i) a discount of approximately 17.95% to the closing price of HK\$0.78 per Share as quoted on the GEM on the Last Trading Day;
- (ii) a discount of approximately 18.58% to the average closing price of approximately HK\$0.786 per Share as quoted on the GEM in the last five consecutive trading days immediately prior to and including the Last Trading Day; and
- (iii) a discount of approximately 17.53% to the average closing price of approximately HK\$0.776 per Share as quoted on the GEM in the last ten consecutive trading days immediately prior to and including the Last Trading Day.

The net aggregate proceeds from the Subscription, after deduction of relevant expenses (including but not limited to legal expenses and disbursements), is estimated to be approximately HK\$19.2 million. The net price per Subscription Share is approximately HK\$0.634.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the recent trading performance of the Shares. The Directors consider that the Subscription Price and the terms of the Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Mandate to issue the Subscription Shares**

The Subscription Shares will be allotted and issued pursuant to the general mandate granted to the Board at the annual general meeting of the Company held on 5 May 2009. Immediately prior to the date of this announcement, no Shares has been issued pursuant to the aforesaid general mandate.

## **Conditions of the Subscription**

Completion of the Subscription Agreement is conditional upon:

- (a) the passing of the necessary resolutions of the Board approving this Agreement and the transactions contemplated hereunder;
- (b) the satisfactory review by the Subscriber of any announcement relating to the transactions contemplated under this Agreement prior to the submission of such announcement to the Stock Exchange (if required under the Listing Rules);
- (c) compliance by the Company with all applicable securities Laws relating to the transactions contemplated in this Agreement;
- (d) the GEM listing committee of the Stock Exchange having granted the listing of and permission to deal in the Subscription Shares on GEM;
- (e) the obtaining by the parties to this Agreement of all other necessary consents, authorization or other approvals in connection with the issue of the Subscription Shares and the entering into and performance by the parties of this Agreement, including but not limited to, consents, authorization or approvals of the Stock Exchange, any regulatory or any Government Authorities as may be required under the Listing Rules or the applicable Laws;
- (f) the absence of any Law, regulation or other government action on the part of any relevant Government Authority (including, without limitation, the PRC, Hong Kong and the Cayman Islands) which would prohibit the Company from conducting its business as contemplated in the Company's business plan, or from completing the proposed issue and allotment of the Subscription Shares to the Subscriber;
- (g) there having occurred no Material Adverse Change of the Company during the period between the date of this Agreement and Completion;
- (h) such other documents, evidence and matters as the Subscriber may reasonably request prior to the Completion Date;
- (i) the Warranties remaining to be true and accurate at all times subsequent to the date hereof up to and including the Completion Date as if repeated on each day immediately prior to Completion; and
- (j) the formation by the Subscriber of a special purpose vehicle in Hong Kong for the purpose of holding the Subscription Shares.

In the event that the conditions to the Subscription Agreement are not fulfilled by 30 September 2009 (or such later date as the Company and the Subscriber may agree in writing) all rights, obligations and liabilities of the parties in respect of or under the Subscription Agreement shall cease and terminate, and no party shall have any claims against the other party in respect of any matter arising out of the Subscription Agreement except for the liabilities and any antecedent breach of any obligations under the Subscription Agreement as prescribed in the Subscription Agreement.

### **Completion of the Subscription**

Completion shall take place within five (5) Business Days immediately after the fulfillment of the conditions referred to in the section headed “Conditions of the Subscription” in this announcement above (or such other date and time as agreed between the Company and the Subscriber in writing).

**Completion of the Subscription is subject to the fulfillment of the conditions precedent stated in the Subscription Agreement. As the Subscription may or may not complete, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

### **REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS**

The Company is a research-driven and market-oriented biopharmaceutical company focused on the PRC market. Through its operating subsidiary in PRC, it develops, manufactures and markets proprietary pharmaceutical products in the PRC. It has established a sales and distribution network for pharmaceuticals covering most of the provinces and cities in the PRC, marketing both self-developed products and licensed products from abroad.

The Board considers that the Subscription provides the opportunity to raise additional funds for the Company’s working capital and future investment purposes while strengthening its financial position, and broadening the capital base of the Company. More importantly, it allows the Company to enter into a strategic partnership with a financial investor experienced in biotechnology and pharmaceutical business. With the Subscriber’s vast network in bioscience community in the United States of America, it can help facilitate the Company’s access to future partnership in product licensing, technology transfer, etc, expanding the Company’s product portfolio and strengthening the Company’s ability for sustainable growth. Having already an industrial partner, Sigma-Tau Finanziaria SpA, in place, the addition of financial investor, the Subscriber, will provide a strong and strategic shareholder base for the Company for future growth.

The gross proceeds from the Subscription of approximately US\$2,500,000 (equivalent to approximately HK\$19,375,000) will be used for business expansion, capital expenditures and general working capital of the Company.

The Subscriber undertakes to the Company that it shall use its Best Efforts to introduce the companies of which the Subscriber has invested in the US territory to the Company and to initiate discussions and negotiations between the Company and such companies in the US territory regarding product rights in the PRC, so long as the Subscriber is a holder of Shares, several products are being introduced to the Company for review and further discussion may be initiated.

The Directors consider that the Subscription Agreement is entered into upon normal commercial terms following arm's length negotiations between the Company and the Subscriber and that the terms of the Subscription Agreement are fair and reasonable so far as the interests of the Company and the Shareholders as a whole are concerned.

#### **FUND RAISING ACTIVITIES DURING THE PAST TWELVE MONTHS**

The Company has not conducted any fund raising activities in the past twelve months before the date of this announcement.

## CHANGE OF SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company has 415,575,000 Shares in issue. The shareholding structure of the Company, assuming full subscription of the Subscription Shares, (a) as at the date of this announcement; and (b) after completion of the Subscription:

	Existing shareholding as at date of this announcement		Immediately after completion of the Subscription	
	Number of Shares	Approximate percentage (%)	Number of Shares	Approximate percentage (%)
Defiante Farmaceutica, S.A	123,850,000	29.80	123,850,000	27.78
Huby Technology Limited ( <i>Note 1</i> )	120,290,625	28.94	120,290,625	26.98
High Knowledge Investments Limited ( <i>Note 2</i> )	16,000,000	3.85	16,000,000	3.59
Dynamic Achieve Investments Limited ( <i>Note 1</i> )	8,000,000	1.93	8,000,000	1.79
<i>Directors</i>				
Li Xiaoyi	35,110,000	8.45	35,110,000	7.87
Lee Siu Fong	1,504,375	0.36	1,504,375	0.34
Leelalertsuphakun Wanee	2,740,000	0.66	2,740,000	0.61
Chan Yau Ching, Bob	1,190,000	0.29	1,190,000	0.27
Tsim Wah Keung, Karl	300,000	0.07	300,000	0.07
<i>Sub-total of Directors</i>	<u>40,844,375</u>	<u>9.83</u>	<u>40,844,375</u>	<u>9.16</u>
Subscriber	–	–	30,273,437	6.79
Other Public Shareholders	<u>106,590,000</u>	<u>25.65</u>	<u>106,590,000</u>	<u>23.91</u>
Total	<u><u>415,575,000</u></u>	<u><u>100.00</u></u>	<u><u>445,848,437</u></u>	<u><u>100.00</u></u>

### Notes:

1. Huby Technology Limited and Dynamic Achieve Investments are investment holding company jointly owned by Ms. Lee Siu Fong and Ms. Leelalertsuphakun Wanee.
2. The Shares are legally owned by High Knowledge Investments Limited, which is entirely and beneficially owned by Dr. Li Xiaoyi's spouse, Ms. Lue Shuk Ping, Vicky. The interest held by Ms. Lue Shuk Ping, Vicky are deemed to be part of the interest of Dr. Li Xiaoyi.

## **APPLICATION FOR LISTING**

Application will be made by the Company to the GEM listing committee for the listing of, and permission to deal in, the Subscription Shares.

## **DEFINITIONS**

In this announcement, the following terms have the following meanings:

“Best Efforts”	the efforts that a prudent person desirous of achieving the result would use in similar circumstances to achieve that result as expeditiously as possible, provided however that it shall not be deemed to require the relevant party to undertake extraordinary or unreasonable measures that will disrupt or damage its business operations in a serious and irreparable manner
“Board”	the board of Directors
“Business Day”	a day (other than Saturdays, Sundays, public holidays and any day on which a tropical cyclone warning signal no.8 or above is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m. or on which a “black rainstorm” warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are open for general business
“Company”	Lee’s Pharmaceutical Holdings Limited, a company incorporated in Cayman Islands with limited liability, the Shares of which are listed on GEM
“Completion”	completion of the subscription of the Subscription Shares in accordance with the terms and conditions of the Subscription Agreement
“Completion Date”	within five (5) Business Days immediately after the fulfillment of the conditions referred to in the section headed “Conditions of the Subscription” in this announcement (or such other date and time as agreed between the Company and the Subscriber in writing)
“connected person”	has the meaning ascribed to it in the GEM Listing Rules
“Director(s)”	the director(s) of the Company



“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	Rules Governing the Listing of Securities on GEM
“Last Trading Day”	10 August 2009, being the last trading day immediately before the signing of the Subscription Agreement
“Hong Kong”	the Hong Kong Special Administration Region of the PRC
“PRC”	the People’s Republic of China, but for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Subscriber”	Vivo Ventures Fund Cayman VI, L.P., a limited partnership organized under the laws of the Cayman Islands
“Subscription”	the subscription of the Subscription Shares pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 10 August 2009 entered into between the Company and the Subscriber in respect of the Subscription
“Subscription Price”	HK\$0.64 for each Subscription Share
“Subscription Shares”	30,273,437 new Shares to be issued pursuant to the Subscription Agreement
“Shareholder(s)”	holder(s) of the Shares
“Shares”	ordinary share(s) of nominal value of HK\$0.05 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Warranties”	the representations, warranties and undertakings given by the Company and the Subscriber contained in the Subscription Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“US\$”	United States dollars, the lawful currency of the United States of America
“US”	United States of America
“%”	per cent.

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

Hong Kong, 10 August 2009

*As at the date of this announcement, 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.*

*This announcement, 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 enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*This announcement will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of the Company at [www.leespharm.com](http://www.leespharm.com).*