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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: 8221)

DISCLOSEABLE AND CONNECTED TRANSACTIONS

The Directors announce that on 2 December 2009, PPI, Lee's International, China Opportunity, Defiante, Dr. Li, Mr. Tsui, Mr. Wu, Mr. Regan Jr. and the Company entered into the Subscription Agreement, pursuant to which (i) PPI agreed to allot and issue, and Lee's International, China Opportunity, Defiante, Dr. Li, Mr. Tsui, Mr. Wu and Mr. Regan Jr., agreed to subscribe for an aggregate of 40,499 shares in PPI; and (ii) PPI agreed to further issue and allot, and Lee's International agreed to further subscribe for and hold as nominee the Milestone Shares, subject to the terms and conditions of the Subscription Agreement.

After the Subscription Agreement was entered into, PPI and Lee's Pharma entered into the Asset Purchase Agreement with the Vendor on 3 December 2009 for the purchase of certain assets and interests that comprise Zingo and the platform together with the accompanying powder intra-dermal injection system at the consideration of US\$2,715,000.

As the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the Subscription are more than 5% but less than 25%, the Subscription constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules. In addition, as Defiante is a substantial Shareholder and Dr. Li is an executive Director, the Subscription constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. As the transaction involves the issue of new securities by PPI, an indirect wholly owned subsidiary of the Company to a connected person, the Subscription is a connected transaction. Accordingly, the Subscription is subject to the reporting, announcement and independent Shareholders' approval requirements under Chapters 19 and 20 of the GEM Listing Rules.

* For identification purpose only

As the applicable percentage ratios (as defined in the GEM Listing Rules) for the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is subject to the notification and announcement requirements under the GEM Listing Rules.

The EGM will be convened at which resolutions will be proposed to seek independent Shareholders' approval by way of a poll in relation to, among other things, the Subscription and the transaction as contemplated under the Shareholders' Agreement (including but without limitation the grant of the Rights to Elect). Defiante, being the substantial Shareholder, together with its associates (as defined under the GEM Listing Rules), Dr. Li, being the Director, together with his associates, and all parties involved in or interested in the Subscription and the transaction as contemplated under the Shareholders' Agreement (including but without limitation the grant of the Rights to Elect) are required to abstain from voting with respect to each of the resolutions regarding the above at the EGM.

An independent board committee of the Company comprising all the independent non-executive Directors, namely Dr. Chan Yau Ching, Bob, Mr. Lam Yat Cheong and Dr. Tsim Wah Keung, Karl, will be established to advise independent Shareholders in respect of the Subscription and the transaction as contemplated under the Shareholders' Agreement (including but without limitation the grant of the Rights to Elect). Independent financial adviser will be appointed to advise the independent board committee of the Company and independent Shareholders in this regard.

A circular containing, among other things, (i) details of Subscription and the transactions as contemplated under the Shareholders' Agreement (including but without limitation the grant of the Rights to Elect); (ii) a letter of recommendation from the independent board committee of the Company to independent Shareholders; (iii) a letter of advice from the independent financial adviser of the Company to the independent board committee of the Company and independent Shareholders; (iv) the notice convening the EGM; and (v) other disclosure requirements under the GEM Listing Rules will be despatched to the Shareholders as soon as practicable under the requirement of the GEM Listing Rules.

THE SUBSCRIPTION AGREEMENT

Date

2 December 2009

The Parties

- (a) PPI as issuer, which, as at the date of this announcement, is currently an indirect wholly owned subsidiary of the Company;

- (b) Lee's International, a wholly owned subsidiary of the Company which holds one share in PPI, representing the current entire issued share capital of PPI;
- (c) China Opportunity;
- (d) Defiante, a substantial Shareholder;
- (e) Dr. Li, an executive Director;
- (f) Mr. Tsui;
- (g) Mr. Wu;
- (h) Mr. Regan Jr.; and
- (i) the Company, as warrantor of certain representations, warranties and undertakings given by PPI and Lee's International.

Parties (b) to (h) are collectively referred to as "**Subscribers**".

To the best of knowledge, information and belief of the Directors having made all reasonable enquiries, each of parties (c), (f), (g) and (h) and their respectively ultimate beneficial owners (where applicable), are Independent Third Parties.

The Subscription

(a) *Subscription Shares:*

Pursuant to the Subscription Agreement, PPI shall allot and issue an aggregate of 40,499 shares in PPI (the "**Subscription Shares**") to the respective Subscribers in the following manner:

- (i) 21,570 Subscription Shares to be allotted and issued to China Opportunity, representing approximately 43.14% of the entire issued shares in PPI after Completion*, at the cash subscription price of US\$3,500,000;
- (ii) 6,160 Subscription Shares to be allotted and issued to Defiante, representing approximately 12.32% of the entire issued shares in PPI after Completion* at the cash subscription price of US\$1,000,000;
- (iii) 10,269 Subscription Shares to be allotted and issued to Lee's International, which shares (together with the 1 share in PPI already held by it), represent 20.54% of the entire issued shares in PPI after Completion* at the cash subscription price of US\$500,000;

- (iv) 1,000 Subscription Shares to be allotted and issued to Dr. Li, representing approximately 2% of the entire issued shares in PPI after Completion* at the cash subscription price of US\$1,000;
- (v) 500 Subscription Shares to be allotted and issued to Mr. Tsui, representing approximately 1% of the entire issued shares in PPI after Completion* at the cash subscription price of US\$500;
- (vi) 500 Subscription Shares to be allotted and issued to Mr. Wu, representing approximately 1% of the entire issued shares in PPI after Completion* at the cash subscription price of US\$500; and
- (vii) 500 Subscription Shares to be allotted and issued to Mr. Regan Jr., representing approximately 1% of the entire issued shares in PPI after Completion* at the cash subscription price of US\$500.

Note:

* *The total number of issued shares in PPI after Completion (i.e. after the allotment of the Subscription Shares and the Milestone Shares (as described below)) shall be 50,000 in total.*

(b) Milestone Shares

Pursuant to the Subscription Agreement, PPI shall further issue and allot, and Lee's International shall further subscribe for and hold as nominee 9,500 shares in PPI (the "**Milestone Shares**") in the issued share capital of PPI for the consideration of US\$9,500.

Upon issuance and allotment of the Milestone Shares, Lee's International shall hold them as nominee for the benefits of the Subscribers collectively and in proportion to their respective shareholding of the Subscription Shares pending the fulfillment of certain conditions relating to the milestone development of the Products of PPI in each of the Stage 1 Milestone Date, Stage 2 Milestone Date and Stage 3 Milestone Date, and thereafter, transfer the legal and beneficial interests in all of the Milestone Shares in pursuant to the manner set out in the Subscription Agreement.

The conditions relating to the milestone development of the Products of PPI as set out in the Subscription Agreement are:

- (a) completion of the first qualification lot by the Stage 1 Milestone Date (the "**Stage 1 Milestone**")
- (b) passing of the Food and Drug Administration inspection of the Chinese manufacturing facility for the Product by the Stage 2 Milestone Date (the "**Stage 2 Milestone**"); and

- (c) the sale of the Products to the United States by the Stage 3 Milestone Date (the “**Stage 3 Milestone**”, together with Stage 1 Milestone and Stage 2 Milestone, are collectively known as the “**Milestones**”).

Assuming if the relevant Milestones are fulfilled, the following number of Milestone Shares shall be transferred to Lee’s International and to certain members of the future management of PPI, namely, Dr. Li, Mr. Tsui, Mr. Wu and Mr. Regan Jr. in pursuant to the manner set out in the Subscription Agreement:

| Name of shareholders of PPI | Number of shares to be transferred if Stage 1 Milestone is fulfilled | Number of shares to be transferred if Stage 2 Milestone is fulfilled | Number of shares to be transferred if Stage 3 Milestone is fulfilled | Total |
|------------------------------------|---|---|---|--------------|
| Lee’s International | 1,000 | 1,500 | 1,500 | 4,000 |
| Dr. Li | 750 | 500 | 500 | 1,750 |
| Mr. Tsui | 250 | 500 | 500 | 1,250 |
| Mr. Wu | 250 | 500 | 500 | 1,250 |
| Mr. Regan Jr. | 250 | 500 | 500 | 1,250 |

If the Stage 1 Milestone has not been met by the Stage 1 Milestone Date, and/or the Stage 2 Milestone has not been met by the Stage 2 Milestone Date, and/or the Stage 3 Milestone has not been met by the Stage 3 Milestone Date, then in each of such case the Milestone Shares shall be legally and beneficially vested in China Opportunity, Defiante and Lee’s International in pro rata to their respective shareholding in PPI at the transfer price of US\$1 per share.

After Completion and assuming that the relevant Milestones are respectively fulfilled in each of the Stage 1 Milestone Date, Stage 2 Milestone Date and Stage 3 Milestone Date, the shareholding of PPI in each of such stage are set out as follows:

| Name of shareholders of PPI | As at Stage 1 Milestone Date | | As at Stage 2 Milestone Date | | As at Stage 3 Milestone Date | |
|-----------------------------|------------------------------|---|------------------------------|---|------------------------------|---|
| | (number of shares in PPI) | (% of the total issued share of 50,000) | (number of shares in PPI) | (% of the total issued share of 50,000) | (number of shares in PPI) | (% of the total issued share of 50,000) |
| China | | | | | | |
| Opportunity | 21,570 | 43.14 | 21,570 | 43.14 | 21,570 | 43.14 |
| Defiante | 6,160 | 12.32 | 6,160 | 12.32 | 6,160 | 12.32 |
| Lee's | | | | | | |
| International | 11,270 | 22.54 | 12,770 | 25.54 | 14,270 | 28.54 |
| Dr. Li | 1,750 | 3.5 | 2,250 | 4.5 | 2,750 | 5.5 |
| Mr. Tsui | 750 | 1.5 | 1,250 | 2.5 | 1,750 | 3.5 |
| Mr. Wu | 750 | 1.5 | 1,250 | 2.5 | 1,750 | 3.5 |
| Mr. Regan Jr. | 750 | 1.5 | 1,250 | 2.5 | 1,750 | 3.5 |

After Completion and assuming that the relevant Milestones are not fulfilled in each of the Stage 1 Milestone Date, Stage 2 Milestone Date and Stage 3 Milestone Date, the shareholding of PPI in each of such stage are set out as follows:

| Name of shareholders of PPI | As at Stage 1 Milestone Date | | As at Stage 2 Milestone Date | | As at Stage 3 Milestone Date | |
|-----------------------------|------------------------------|---|------------------------------|---|------------------------------|---|
| | (number of shares in PPI) | (% of the total issued share of 50,000) | (number of shares in PPI) | (% of the total issued share of 50,000) | (number of shares in PPI) | (% of the total issued share of 50,000) |
| China | | | | | | |
| Opportunity | 22,989 | 45.978 | 24,976 | 49.952 | 26,963 | 53.926 |
| Defiante | 6,565 | 13.13 | 7,132 | 14.264 | 7,699 | 15.398 |
| Lee's | | | | | | |
| International | 10,946 | 21.892 | 11,892 | 23.784 | 12,838 | 25.676 |
| Dr. Li | 1,000 | 2 | 1,000 | 2 | 1,000 | 2 |
| Mr. Tsui | 500 | 1 | 500 | 1 | 500 | 1 |
| Mr. Wu | 500 | 1 | 500 | 1 | 500 | 1 |
| Mr. Regan Jr. | 500 | 1 | 500 | 1 | 500 | 1 |

Basis of Subscription Price

Each of the subscription prices was determined after arm's length negotiation between PPI and the Subscribers, with reference to, among other things, the business strength of the Subscribers and prospective contributions that each Subscriber will bring to the business of PPI. In view of the Lee's International's knowledge and experience in manufacturing of drug and in view of the fact that Lee's International shall be responsible for the management of PPI, the subscription price to be paid by Lee's International is less than the subscription price to be paid by China Opportunity and Defiante. To provide incentive to the management of PPI (i.e. Dr. Li, Mr. Tsui, Mr. Wu and Mr. Regan Jr.), the parties to the Subscription Agreement agree that the subscription price to be paid by the management of PPI would be nominal value of the shares of PPI.

Conditions to the Subscription

Major conditions to the Subscription are as follows:

- (a) the passing of the necessary resolutions of the board of directors of PPI approving the Subscription Agreement and the transactions contemplated thereunder;
- (b) compliance by PPI and the Company with all applicable securities laws relating to the transactions contemplated in the Subscription Agreement;
- (c) the obtaining by the parties to the Subscription Agreement of all other necessary consents, authorization or other approvals in connection with the Subscription and the entering into and performance of all transactions and agreements contemplated thereunder;
- (d) the absence of any law, regulation or other government action on the part of any relevant government authority which would prohibit PPI from conducting its business, or from completing the proposed issue and allotment of the Subscription Shares to the Subscribers, respectively, and the issue and allotment of the Milestone Shares to Lee's International;
- (e) the warranties under the Subscription Agreement remaining true and accurate; and
- (f) PPI duly entering into a legally binding Asset Purchase Agreement, which was entered into on 3 December 2009.

Completion

Completion shall take place on the date within 60 calendar days after the date of the Subscription Agreement (or such later date as agreed between PPI and the Subscribers in writing).

After the Completion, the Company will have an indirect interest in approximately 28.54% of the entire issued share of PPI (assuming that all the Milestones are fulfilled) or an indirect interest in approximately 25.676% of the entire issued share capital of PPI (assuming that all the Milestones are not fulfilled). In both of the above cases, PPI will cease to be a subsidiary of the Company.

EFFECT OF COMPLETION

Shareholders' Agreement

Upon Completion, PPI, Lee's International, China Opportunity, Defiante, Dr. Li, Mr. Tsui, Mr. Wu, Mr. Regan Jr. and the Company shall enter into a shareholders' agreement (the "Shareholders Agreement") to regulate their conduct of business in PPI. The form of the Shareholders' Agreement to be entered into contained, inter alia, that during each of the Relevant Periods (as defined below), the shareholders of PPI (except Lee's International) shall subject to the terms and conditions stated in the Shareholders' Agreement, be entitled to elect (a) to sell all (and not part) of its shares of PPI to Lee's International at the sale value of 1.5 times of the revenue according to the latest financial statements of PPI (the "**Buy-back by Lee's International**"); or (b) to convert (the "**Conversion**") all of its shares of PPI to shares of the Company at the valuation of HK\$1.80 per share, and in the event that the Company prior to the Conversion issues any shares (save as to any share option scheme which has been adopted by the Company as at the date of the Shareholders' Agreement) which would result in an increase of more than 20% of the total issued share capital of the Company as at the date of the Shareholders' Agreement, subject to downward adjustments in the same proportion that the total issued share capital as at the date of the Shareholders' Agreement bears to the then total issued share capital of the Company (the "**Right to Elect**").

The Relevant Periods shall refer to each of the following periods:

- (a) from the day after the 3rd anniversary and ending on the day immediately before the 5th anniversary of the date of the Shareholders' Agreement;
- (b) from the date upon which Lee's International commits an event of default as set out in the Shareholders' Agreement and ending on the date falling 60 business days after Defiante and China Opportunity both have actual knowledge of such default;
- (c) from the date upon which Lee's International agrees to sell any shares of PPI which it holds at the date of the Shareholders' Agreement, or acquires thereafter, and ending on the date falling 60 business days after Defiante and China Opportunity both have actual knowledge of such agreement to sell; and
- (d) from the date upon which the Company indicates its intention to de-list and take private the shares of the Company from GEM and/or the Stock Exchange until 60 business days after Defiante and China Opportunity both have actual knowledge of such proposal.

The Company guarantees to each of the Subscribers (except Lee's International) and their successors, transferees and assignees the due and punctual performance of all present and future obligations, including the financial obligations of Lee's International under the Shareholders' Agreement (i.e. the obligations to pay when the shareholders of PPI (except Lee's International) elect to sell all (and not part) of its shares of PPI to Lee's International).

In addition, pursuant to the Subscription Agreement, the Company shall provide certain warranties, representations and undertaking, which includes:

- (a) each of the Subscription Shares and Milestone Shares shall be issued and allotted by PPI free from all encumbrances and rank pari passu with the existing 1 share in all respect;
- (b) to procure the fulfillment and/or satisfaction of all the conditions to the Subscription with their best endeavors; and
- (c) general warranties in relation to, among other matters, the incorporation, shareholding structure and business activities of PPI, the absence of litigation of PPI, the capacity of PPI to enter into the Subscription Agreement and the power of PPI to issue the Subscription Shares and Milestone Shares.

Shareholders' approval for the exercise of the Buy-back by Lee' International or the Conversion will be obtained in compliance with the GEM Listing Rules at the time when the Buy-back by Lee's International or the Conversion is exercised (if necessary). The Company will make the necessary announcement and circular in compliance with the GEM Listing Rules.

Under the Shareholders' Agreement, the Company undertakes to provide consultation services to PPI and its wholly owned subsidiary to develop and promote the business for the mutual benefit of PPI and its shareholders at no cost. As the subscription price to be paid by Lee's International is less than the subscription price to be paid by China Opportunity and Defiante, therefore the Company agrees to provide such consultation services at no cost.

The Directors estimated that, upon completion of the Subscription, the Group will record a gain of approximately HK\$15,891, which is calculated based on the unaudited book value of PPI and the gain will be recognized in the income statement of the Company.

Profit and Loss Sharing

The profit and loss of PPI will be shared by the shareholders of PPI in proportion to their respective shareholdings in PPI.

THE ASSET PURCHASE AGREEMENT

Date

3 December 2009

Parties

- (a) Vendor as vendor, to the best of knowledge, information and belief of the Directors having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are Independent Third Parties.
- (b) Lee's Pharma, a wholly owned subsidiary of the Company, as guarantor
- (c) PPI as the purchaser

The Acquisition

Pursuant to the Asset Purchase Agreement, the Vendor has agreed to sell, assign and transfer, and PPI has agreed to purchase of and acquire certain assets and interests that comprise Zingo and the platform together with the accompanying powder intra-dermal injection system (the "**Purchased Assets**"). The Asset Purchase Agreement shall become effective upon signing.

Consideration

The total consideration for the Purchased Assets is US\$2,715,000, which comprise (i) US\$2,665,000 to intangibles; and US\$50,000 to tangibles (i.e. the available Component Materials and requested Capital Equipment).

The total consideration for the Purchased Assets shall be payable by PPI in the following manners:

- (a) upon signing of the Asset Purchase Agreement, PPI shall pay to the Vendor an initial payment of US\$50,000;
- (b) upon receipt of certain documents as set out in the Asset Purchase Agreement, including, among others, the letter of notification to the Food and Drug Administration of the transfer of the Product New Drug Application to PPI or its affiliate and certain Component Materials and requested Capital Equipment as set out in the Asset Purchase Agreement free from encumbrances and in working condition, PPI shall pay to the Vendor the second payment of US\$1,865,000 (the "**Second Payment**");

- (c) PPI shall pay the escrow agent appointed by PPI the final payment of US\$800,000 at the same time when the Second Payment is made, and the final payment of US\$800,000 shall be released by the escrow agent appointed by PPI upon the delivery by the Vendor of certain Component Materials and requested Capital Equipment as set out in the Asset Purchase Agreement free from encumbrances and in working condition, and such delivery by the Vendor shall be made before 31 January 2010.

The consideration for the Acquisition as contemplated under the Asset Purchase Agreement was determined after arm's length negotiation between PPI and the Vendor having regard to a number of relevant factors including, among others, the research & development expenditure for the Product which was around US\$38 million for three years from 2006 to 2008, the market potential and long term growth prospect of the Product, the fact that approval from Food and Drug Administration in the United States has been obtained, and the prevailing market price for the tangibles.

The Purchased Assets

The Purchased Assets includes certain assets and interests that comprise Zingo and the platform together with the accompanying powder intra-dermal injection system, which include, among other thing, (a) all rights and obligations under certain contracts previously entered into by the Vendor (the “**Assigned Contracts**”); (b) the intellectual property rights and technology information related to the Product; (c) sales and marketing information related to the product; (d) regulatory items related to the Product; (e) available Component Materials and requested Capital Equipment; and (f) production records for the Product.

PPI shall assume and become responsible for, from the date of payment of the Second Payment, the Vendor's rights and obligations arising under the Assigned Contracts.

PPI shall bear all costs associated with transportation of the Purchased Assets, and shall also obtain insurance for transporters of the Purchased Assets.

Guarantee

Lee's Pharma represents, warrants and guarantees to the Vendor that PPI has or shall have at the requested time the financial resources in place to effect all payment under the Asset Purchase Agreement.

INFORMATION OF PPI

PPI, incorporated in the British Virgin Islands on 6 August 2009, is an investment holding company and is indirectly wholly owned by the Company prior to the Completion. Since the date of its incorporation to the date of this announcement, PPI has not conducted any business and the unaudited book value of PPI is net liabilities of HK\$19,992.

As one of the conditions of the Subscription, PPI shall enter into the Asset Purchase Agreement for the purchase of the Purchased Assets.

Subject to the entering into and completion of the Asset Purchase Agreement, PPI will carry on the business of producing, developing and sales of, inter alia, Zingo and the platform together with the accompanying powder intra-dermal injection system.

INFORMATION ON CHINA OPPORTUNITY AND DEFIANTE

China Opportunity is a fund controlled by Sopaf S.p.A. and is dedicated to investment in Chinese companies with potential for international development. The company has approximately 48 million Euro in assets (as of 30 September 2008), and is authorized to operate for a period of 6 years. China Opportunity has made its first investments in the energy, financial services, media and manufacturing/shipbuilding sectors.

Defiante is an indirect wholly owned subsidiary of Sigma-Tau Finanziaria SpA, a company organized and existing under the laws of Italy, which is a leading research-based Italian pharmaceutical company with approximately 2,400 employees worldwide. 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.

INFORMATION OF THE VENDOR

The Vendor is a company incorporated under the laws of the United States and whose shares are listed on Nasdaq. The Vendor is a late-stage biopharmaceutical company focused on the development and commercialization of novel pharmaceutical products for pain management, including the Product using a powder intradermal injection system.

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 SUBSCRIPTION AND THE ACQUISITION

The considerations payable by the Subscribers represent their respective investment in PPI, which will after Completion become a joint venture of the Subscribers. The Subscription will provide the funding for Acquisition and the business and development of PPI, introducing strategic investors, and retaining and rewarding key members of

its future management. The transfer of the Milestone Shares to certain members of the future management of PPI based on the milestone development of certain products of PPI will provide incentive and rewards for their contribution to PPI and to promote the success of the products thereof.

The Acquisition will enable PPI to acquire the necessary assets to carry the business of producing, developing and sales of, inter alia, Zingo and the platform together with the accompanying powder intra-dermal injection system. The Board expects that the business of the joint venture (i.e. PPI) will start to grow in the medium to long run, which represents a good investment opportunity for the Company.

The considerations for the Subscription were determined after arm-length's negotiation among the parties to the Subscription Agreement based on the estimated capital expenditure necessary for carrying the business by PPI (including the consideration for the Acquisition). Lee's International will settle the consideration for its Subscription by internal resources.

The Directors (including the independent non-executive Directors) believe that the terms of each of the Subscription and the Acquisition are fair and reasonable and in the interests of the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the Subscription are more than 5% but less than 25%, the Subscription constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules. In addition, as Defiante is a substantial Shareholder and Dr. Li is an executive Director, the Subscription constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. As the transaction involves the issue of new securities by PPI, an indirect wholly-owned subsidiary of the Company to a connected person, the Subscription is a connected transaction. Accordingly, the Subscription is subject to the reporting, announcement and independent Shareholders' approval requirements under Chapters 19 and 20 of the GEM Listing Rules.

As the applicable percentage ratios (as defined in the GEM Listing Rules) for the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is subject to the notification and announcement requirements under the GEM Listing Rules.

EGM

The EGM will be convened at which resolutions will be proposed to seek independent Shareholders' approval by way of a poll in relation to, among other things, the Subscription and the transaction as contemplated under the Shareholders' Agreement (including but without limitation the grant of the Rights to Elect). Defiante, being the substantial Shareholder, together with its associates (as defined under the GEM

Listing Rules), Dr. Li, being the Directors, together with his associates, and all parties involved in or interested in the Subscription and the transaction as contemplated under the Shareholders' Agreement (including but without limitation the grant of the Rights to Elect) are required to abstain from voting with respect to each of the resolutions regarding the above at the EGM.

GENERAL

An independent board committee of the Company comprising all the independent non-executive Directors, namely Dr. Chan Yau Ching, Bob, Mr. Lam Yat Cheong and Dr. Tsim Wah Keung, Karl, will be established to advise independent Shareholders in respect of the Subscription and the transaction as contemplated under the Shareholders' Agreement (including but without limitation the grant of the Rights to Elect).

Independent financial adviser will be appointed to advise the independent board committee of the Company and independent Shareholders in this regard.

A circular containing, among other things, (i) details of Subscription and the transactions as contemplated under the Shareholders' Agreement (including but without limitation the grant of the Rights to Elect); (ii) a letter of recommendation from the independent board committee of the Company to independent Shareholders; (iii) a letter of advice from the independent financial adviser of the Company to the independent board committee of the Company and independent Shareholders; (iv) the notice convening the EGM; and (v) other disclosure requirements under the GEM Listing Rules will be despatched to the Shareholders as soon as practicable under the requirement of the GEM Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

| | |
|----------------------------|--|
| “Acquisition” | the acquisition of the Purchased Assets from the Vendor pursuant to the Asset Purchase Agreement |
| “Asset Purchase Agreement” | an agreement dated 3 December 2009 entered into between PPI, Lee's Pharma and the Vendor relating to the acquisition of the Purchased Assets |
| “Capital Equipment” | any equipment related to manufacturing and testing of the Product |
| “China Opportunity” | China Opportunity S.A. Sicar, a company with limited liability and incorporated under the laws of Luxembourg |

| | |
|-----------------------|---|
| “Company” | Lee’s Pharmaceutical Holdings Limited, a company incorporated in the Cayman Islands with limited liability with its issued shares listed on GEM |
| “Completion” | Completion of the Subscription of Subscription Shares and Milestone Shares in accordance with the terms and conditions of the Subscription Agreement |
| “Component Materials” | all raw materials and components, work-in-progress, inventory and related materials, including, without limitation, items which the Vendor has possession of for the production of the Product, other than commercially available materials used in the normal production process |
| “connected person” | has the meaning ascribed to it under the GEM Listing Rules |
| “Defiante” | Defiante Farmacêutica S.A., a company with limited liability and incorporated under the laws of Portugal, a substantial Shareholder |
| “Directors” | the director(s) of the Company |
| “Dr. Li” | Dr. Li Xiaoyi, an executive Director and member of future management of PPI |
| “EGM” | the extraordinary general meeting of the Company to be convened and held for independent Shareholders to consider and approve, if thought fit, among other things, the Subscription and the transaction as contemplated under the Shareholders’ Agreement (including but without limitation the grant of the Rights to Elect) |
| “GEM” | the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited |
| “GEM Listing Rules” | the Rules Governing the Listing of Securities on GEM |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | Hong Kong Special Administrative Region of the PRC |

| | |
|--------------------------------|--|
| “Independent Third Party(ies)” | person(s) or company(ies) and their respective ultimate beneficial owner(s) which, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, are third parties independent of and not connected with any director, chief executive or substantial shareholders of the Company and its subsidiaries or any of their respective associates |
| “Lee’s International” | Lee’s Pharmaceutical International Limited, a company with limited liability and incorporated under the laws of British Virgin Islands, a wholly owned subsidiary of the Company |
| Lee’s Pharma | Lee’s Pharmaceutical (HK) Limited, a limited company incorporated in Hong Kong, a wholly owned subsidiary of the Company |
| “Mr. Regan Jr.” | Mr. John X. Regan Jr., an Independent Third Party and member of future management of PPI |
| “Mr. Tsui” | Mr. Victor Tsui, an Independent Third Party and member of future management of PPI |
| “Mr. Wu” | Mr. Vincent Wu, an Independent Third Party and member of future management of PPI |
| “PPI” | Powder Pharmaceuticals Incorporated, a company with limited liability and incorporated under the laws of British Virgin Islands on 6 August 2009 and registered as a non-Hong Kong company under Part XI of the Companies Ordinance on 11 September 2009 |
| “PRC” | the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan |
| “Product” | Zingo (lidocaine hydrochloride monohydrate) powder intradermal injection system |
| “Shareholders” | shareholders of the Company |
| “Stage 1 Milestone Date” | 2.5 years from the date of the Subscription Agreement |

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|--------------------------|---|
| “Stage 2 Milestone Date” | 3 years from the date of the Subscription Agreement or 6 months of the Stage 1 Milestone Date (whichever is earlier) |
| “Stage 3 Milestone Date” | 3.5 years from the date of the Subscription Agreement or 6 months of the Stage 2 Milestone Date (whichever is earlier) |
| “Subscribers” | Lee’s International, Defiante, China Opportunity, Dr. Li, Mr. Tsui, Mr. Wu and Mr. Regan Jr. |
| “Subscription” | Subscription of the Subscription Shares by the Subscribers as contemplated under the Subscription Agreement |
| “Subscription Agreement” | the subscription agreement dated 2 December 2009 among the Subscribers, PPI and the Company for the issuance and allotment of shares in PPI pursuant to the terms and conditions thereof |
| “Vendor” | Anesiva Inc., to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Vendor is an Independent Third Party |
| “Zingo” | 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 |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong from time to time |
| “US\$” | United States dollars, the lawful currency of the United States of America |
| “%” | Per cent |

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

Hong Kong, 4 December 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 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.