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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

PROVISION OF FINANCIAL ASSISTANCE

Reference is made to the announcements of the Company dated 4 January 2013 and 20 December 2013 in relation to the Shareholder Loan.

On 6 January 2015, Lee's International, a wholly owned subsidiary of the Company, and PPI entered into the Second Supplemental Agreement, pursuant to which Lee's International agrees to further extend the term of the Shareholder Loan for one year with the maturity date falling on 6 January 2016.

Sigma-Tau is a substantial shareholder of the Company, Dr. Li Xiaoyi is a Director and a substantial shareholder of the Company, and Swift Power is a company wholly owned by Dr. Li Xiaoyi. Sigma-Tau, Dr. Li Xiaoyi and Swift Power are all connected persons of the Company under the Listing Rules. Lee's International is a shareholder of PPI and at the same time, Sigma-Tau, Dr. Li Xiaoyi and Swift Power are also the shareholders of PPI. Sigma-Tau, being a connected person of the Company, is holding approximately 0.36% of the issued share capital of PPI. Dr. Li Xiaoyi and Swift Power, in aggregate, are also holding approximately 13.67% of the issued share capital of PPI. They are together entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of PPI, and therefore the Extended Shareholder Loan made by Lee's International to PPI under the Second Supplemental Agreement constitutes a connected transaction pursuant to Rule 14A.27 of the Listing Rules.

* For identification purposes only

The applicable percentage ratio for all financial assistances made by the Company (by itself or through Lee's International), including the Extended Shareholder Loan, the Second Shareholder Loan, the Fourth Shareholder Loan, the Fifth Shareholder Loan and the Guarantee, in aggregate does not exceed 5% and therefore, in accordance with Rule 14A.76(2) of the Listing Rules, the Extended Shareholder Loan is only subject to the annual reporting and announcement requirements and is exempt from the circular (including independent financial advice) and shareholders' approval requirements of the Listing Rules.

Reference is made to the announcements of the Company dated 4 January 2013 and 20 December 2013 in relation to the Shareholder Loan.

Pursuant to the Shareholder Loan Agreement (as supplemented by the First Supplemental Agreement), Lee's International advanced the Shareholder Loan to PPI in the principal amount of HK\$8,000,000 at the interest rate of 4% per annum for a term of one year (as extended for a further term of one year pursuant to the First Supplemental Agreement) and it shall mature on 6 January 2015.

On 6 January 2015, the parties entered into the Second Supplemental Agreement to further extend the term of the Shareholder Loan for one year.

SECOND SUPPLEMENTAL AGREEMENT

Date

6 January 2015

Parties

- (1) Lee's International, a wholly owned subsidiary of the Company, as lender; and
- (2) PPI, as borrower.

Subject Matter

Pursuant to the Second Supplemental Agreement, Lee's International and PPI agreed to further extend the term of the Shareholder Loan for one year with the maturity date falling on 6 January 2016.

Principal amount of the Extended Shareholder Loan

HK\$8,000,000

Interest rate

Interest on the Extended Shareholder Loan shall accrue at 4% per annum, which is determined with reference to the prevailing interest rate in the market.

Interest on the Extended Shareholder Loan shall accrue and be calculated for the period commencing from 7 January 2015 up to the Repayment Date.

Extended Term

Subject to the early repayment as provided under the Second Supplemental Agreement, the term of the Extended Shareholder Loan shall be one year commencing from 7 January 2015 and expiring on 6 January 2016.

Repayment schedule

PPI shall repay the Extended Shareholder Loan together with the interest accrued on the Repayment Date.

PPI shall have the right to make early repayment of the Extended Shareholder Loan, together with the interest accrued at any time during the extended term by giving the Written Notice to Lee's International. PPI shall specify in the Written Notice the date when the early repayment of the Extended Shareholder Loan shall be made.

REASONS FOR AND BENEFITS OF THE SECOND SUPPLEMENTAL AGREEMENT

PPI is in the course of expanding its business operation in producing, developing and in promoting the sale of a new pharmaceutical product. To ensure such steady growth will be backed by ample financial resources, PPI still needs the funding as obtained under the Shareholder Loan for an additional year. Therefore, after arm's length negotiation between PPI and Lee's International, a shareholder of PPI, Lee's International agrees to extend the term of the Shareholder Loan for a further year in order to support the sustained development of PPI and to allow PPI a higher degree of flexibility in its cash flow. Accordingly, on 6 January 2015, Lee's International and PPI entered into the Second Supplemental Agreement on the terms set out above. The Extended Shareholder Loan would be utilised for PPI's general working capital.

The Directors (including the independent non-executive Directors) considered that the Second Supplemental Agreement, which has been entered into after arm's length negotiation between Lee's International and PPI, are not in the ordinary and usual course of business of the Group but are on normal commercial terms and the terms therein are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Dr. Li Xiaoyi, an executive Director and a substantial shareholder of the Company, is directly and indirectly (through Swift Power) interested in the issued share capital of PPI. As a result, Dr. Li Xiaoyi is considered to have a material interest in the transactions contemplated under the Second Supplemental Agreement and are required to abstain, and have abstained, from voting on the relevant Board resolutions to approve the Second Supplemental Agreement. Save the above, no Director has a material interest in the transactions contemplated under the Second Supplemental Agreement and none of them is required to abstain or has abstained from, voting on the relevant Board resolutions to approve the Second Supplemental Agreement.

INFORMATION OF PPI

PPI was 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 Zingo and the platform together with the accompanying powder intra-dermal 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 sale 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.

LISTING RULES IMPLICATIONS

Sigma-Tau is a substantial shareholder of the Company, Dr. Li Xiaoyi is a Director and a substantial shareholder of the Company, and Swift Power is a company wholly owned by Dr. Li Xiaoyi. Sigma-Tau, Dr. Li Xiaoyi and Swift Power are all connected persons of the Company under the Listing Rules. Lee's International is a shareholder of PPI, and at the same time, Sigma-Tau, Dr. Li Xiaoyi and Swift Power are also the shareholders of PPI. Sigma-Tau, being a connected person of the Company, is holding approximately 0.36% of the issued share capital of PPI. Dr. Li Xiaoyi and Swift Power, in aggregate, are also holding approximately 13.67% of the issued share capital of PPI. They are together entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of PPI, and therefore the Extended Shareholder Loan made by Lee's International to PPI under the Second Supplemental Agreement constitutes a connected transaction pursuant to Rule 14A.27 of the Listing Rules.

The applicable percentage ratio for all financial assistances made by the Company (by itself or through Lee's International), including the Extended Shareholder Loan, the Second Shareholder Loan, the Fourth Shareholder Loan, the Fifth Shareholder Loan and the Guarantee, when aggregated, does not exceed 5% and therefore, in accordance with Rule 14A.76(2) of the Listing Rules, the Extended Shareholder Loan is only subject to the reporting and announcement requirements and is exempt from the circular (including independent financial advice) and shareholders' approval requirements of the Listing Rules.

DEFINITIONS

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

“Board” board of Directors

“Business Day”	a day (excluding Saturdays, Sundays and statutory holidays) on which commercial banks in Hong Kong are open for business
“Company”	Lee’s Pharmaceutical Holdings Limited, a company incorporated in the Cayman Islands with limited liability with its issued shares listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“connected transaction”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Extended Shareholder Loan”	the Shareholder Loan in the principal amount of HK\$8,000,000 made by Lee’s International to PPI pursuant to the Shareholder Loan Agreement, as supplemented by the First Supplemental Agreement and the Second Supplemental Agreement
“Fifth Shareholder Loan”	the shareholder loan in the principal amount of HK\$4,000,000 made by Lee’s International to PPI under the shareholder loan agreement dated 7 October 2013, and extended by the supplemental agreement dated 30 September 2014, details of which are set out in the announcements made by the Company on 7 October 2013 and 30 September 2014, respectively
“First Supplemental Agreement”	the first supplemental agreement dated 20 December 2013 entered into between Lee’s International and PPI in relation to the Shareholder Loan
“Fourth Shareholder Loan”	the shareholder loan in the principal amount of HK\$4,000,000 made by Lee’s International to PPI under the shareholder loan agreement dated 23 July 2013 and extended by the supplemental agreement dated 23 July 2014, details of which are set out in the announcements made by the Company on 23 July 2013 and 23 July 2014, respectively
“Group”	the Company and its subsidiaries

“Guarantee”	the deed of guarantee dated 2 May 2014 executed by the Company in favour of Nanyang Commercial Bank, Limited, pursuant to which the Company agreed to guarantee to pay, among others, all secured indebtedness in respect of a revolving demand loan facility of up to HK\$6,000,000 and overdraft facility of up to HK\$1,000,000, details of which are set out in the announcement made by the Company on 2 May 2014
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Lee’s International”	Lee’s Pharmaceutical International Limited, a company with limited liability and incorporated under the laws of the British Virgin Islands, and a wholly owned subsidiary of the Company
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“PPI”	Powder Pharmaceuticals Incorporated, a company with limited liability and incorporated under the laws of the British Virgin Islands
“Repayment Date”	6 January 2016, i.e. the expiry date of the term, or if PPI elects to make early repayment, the date as specified in the Written Notice
“Second Shareholder Loan”	the shareholder loan in the principal amount of US\$500,000 made by Lee’s International to PPI under the shareholder loan agreement dated 23 July 2012, as extended by the supplemental agreement dated 19 June 2013 with an increased principal amount of up to US\$520,000 and further extended by the supplemental agreement dated 23 July 2014, details of which are set out in the announcements made by the Company on 23 July 2012, 19 June 2013 and 23 July 2014, respectively
“Second Supplemental Agreement”	the second supplemental agreement dated 6 January 2015 entered into between Lee’s International and PPI in relation to the Extended Shareholder Loan

“Shareholder Loan”	the shareholder loan in the principal amount of HK\$8,000,000 made by Lee’s International to PPI under the Shareholder Loan Agreement, as extended by the First Supplemental Agreement, details of which are set out in the announcements made by the Company on 4 January 2013 and 20 December 2013
“Shareholder Loan Agreement”	the shareholder loan agreement dated 4 January 2013, as supplemented by the First Supplemental Agreement, entered into between Lee’s International and PPI
“Shareholders”	holders of the Shares
“Shares”	ordinary share(s) of nominal value of HK\$0.05 each in the capital of the Company
“Sigma-Tau”	Sigma-Tau Industrie Farmaceutiche Riunite S.p.A., a company incorporated and existing pursuant to the laws of Italy
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Swift Power”	Swift Power Investments Limited, a company with limited liability and incorporated under the laws of the British Virgin Islands, and wholly owned by Dr. Li Xiaoyi who is a Director and a substantial shareholder of the Company
“Written Notice”	the 7-day written notice served by PPI in accordance with the terms of the Shareholder Loan Agreement, which sets out PPI’s intention to make early repayment on the Shareholder Loan, together with interest accrued thereon
“US\$”	United States dollars, the lawful currency of the USA
“USA”	United States of America
“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

“%”

per cent

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

Hong Kong, 6 January 2015

As at the date thereof, Ms. Lee Siu Fong (Chairman), Ms. Leelalertsuphakun Wanee and Dr. Li Xiaoyi are executive Directors; Dr. Marco Maria Brughera is a non-executive Director, Dr. Chan Yau Ching, Bob, Mr. Lam Yat Cheong and Dr. Tsim Wah Keung, Karl are independent non-executive Directors.

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