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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 Announcement.

On 19 June 2013, Lee's International and PPI entered into the Supplemental Agreement, pursuant to which, Lee's International agrees to extend the term for the Shareholder Loan for further one year by deferring the maturity date of the original term of the Shareholder Loan to 23 July 2014 and to increase the principal amount of the Extended Shareholder Loan to the sum up to US\$520,000 (approximately HK\$4,035,200).

Defiante 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. Defiante, 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, Defiante, Dr. Li Xiaoyi and Swift Power are also the shareholders of PPI. Defiante, being a connected person of the Company, is holding approximately 7.49% of equity interest in PPI. Dr. Li Xiaoyi and Swift Power, in aggregate, are also holding more than 10% of issued share capital in PPI and therefore is a substantial shareholder 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 Loan Agreement (as supplemented by the Supplemental Agreement) constitutes a connected transaction pursuant to Rule 14A.13(2)(a)(ii) of the Listing Rules.

The applicable percentage ratio for all financial assistance made by the Company (by itself or through Lee's International), including the Extended Shareholder Loan and the Third Shareholder Loan, if aggregated, does not exceed 5%, and because of this, in accordance with Rule 14A.66(2) of the Listing Rules, the Extended Shareholder Loan is only subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirement of the Listing Rules.

* For identification purpose only

Reference is made to the announcement made by the Company on 23 July 2012 in relation to the provision of the Shareholder Loan (the “**Announcement**”).

Pursuant to the Shareholder Loan Agreement, on the Advance Date Lee’s International advanced a Shareholder Loan to PPI in the principal amount of US\$500,000 at an interest rate of 4% per annum for a term of one year commencing from the Advance Date. The interest accrued from the Shareholder Loan from the Advance Date up to (but excluding) 23 July 2013 under the Shareholder Loan Agreement shall be US\$20,000.

On 19 June 2013, Lee’s International, a wholly-owned subsidiary of the Company, and PPI entered into the Supplemental Agreement, pursuant to which, Lee’s International agrees to extend the term for the Shareholder Loan for further one year by deferring the maturity date of the original term of the Shareholder Loan to 23 July 2014 and to increase the principal amount of the Extended Shareholder Loan to such sum up to US\$520,000 (approximately HK\$4,035,200).

THE SUPPLEMENTAL AGREEMENT

Date

19 June 2013

Parties

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

Subject Matter – Extended Term and the principal amount of the Extended Shareholder Loan

Pursuant to the Supplemental Agreement, the term of the Shareholder Loan shall be extended for the Extended Term (i.e. from 24 July 2013 to 23 July 2014). In addition, the interest accrued from the Shareholder Loan from the Advance Date up to (but excluding) 23 July 2013 in the sum of US\$20,000 shall also, upon the expiry date of the original term of the Shareholder Loan under the Shareholder Loan Agreement (i.e. 23 July 2013), be advanced to PPI by Lee’s International by way of not having such interest accrued be paid on 23 July 2013. Such interest accrued, together with the original principal amount of the Shareholder Loan in the sum of US\$500,000, shall then become the total principal amount of the Extended Shareholder Loan (i.e. US\$520,000 (approximately HK\$4,035,200)).

Interest rate of the Extended Shareholder Loan

The rate of interest applicable to the Extended Shareholder Loan in respect of the Extended Term shall also be 4% per annum, and such interest rate is determined with reference to the prevailing interest rate in the market.

Interest for the Extended Shareholder Loan shall be accrued and calculated for the period commencing from 24 July 2013 up to (but excluding) the Extended Repayment Date.

Extended Term

Subject to the early repayment as provided under the Shareholder Loan Agreement (as supplemented by the Supplemental Agreement), the Extended Term shall be 24 July 2013 to 23 July 2014.

Repayment schedule of the Extended Shareholder Loan

PPI shall repay the Extended Shareholder Loan, together with the interest accrued on the Extended 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 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 would still need the funding as obtained under the Shareholder Loan, and keep it to use for additional one 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 one more year in order to support the sustained development of PPI and to allow PPI a higher degree of flexibility in the use of cash flow. Accordingly, on 19 June 2013, Lee's International and PPI entered into the Supplemental Agreement on the terms set out above. The Shareholder Loan was generated from the internal resources of Lee's International. The Shareholder Loan made to PPI would be continued to be utilized for PPI's general working capital.

The Directors (including the independent non-executive Directors) considered that the Supplemental Agreement, which has been entered into after arm's length negotiation between Lee's International and PPI, 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 equity interest in PPI. Mr. Mauro Bove, a non-executive Director, is the representative of Defiante which is directly interested in the equity interest in PPI. As a result, both Mr. Li Xiaoyi and Mr. Mauro Bove are considered to have a material interest in the transactions contemplated under the Supplemental Agreement and are required to abstain, and have abstained, from voting on the relevant Board resolutions to approve the Supplemental Agreement. Save for the above, no Director has a material interest in the transactions contemplated under the Supplemental Agreement and none of them is required to, or has abstained from, voting on the relevant Board resolutions to approve the Supplemental Agreement.

INFORMATION OF PPI

PPI, incorporated in the British Virgin Islands on 6 August 2009. PPI 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 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.

LISTING RULES IMPLICATIONS

Defiante 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. Defiante, 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, Defiante, Dr. Li Xiaoyi and Swift Power are also the shareholders of PPI. Defiante, being a connected person of the Company, is holding approximately 7.49% of equity interest in PPI. Dr. Li Xiaoyi and Swift Power, in aggregate, are also holding more than 10% of issued share capital in PPI and therefore is a substantial shareholder 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 Loan Agreement (as supplemented by the Supplemental Agreement) constitutes a connected transaction pursuant to Rule 14A.13(2)(a)(ii) of the Listing Rules.

The applicable percentage ratio for all financial assistance made by the Company (by itself or through Lee's International), including the Extended Shareholder Loan and the Third Shareholder Loan, if aggregated, does not exceed 5%, and because of this, in accordance with Rule 14A.66(2) of the Listing Rules, the Extended Shareholder Loan is only subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirement of the Listing Rules.

DEFINITIONS

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

“Advance Date”	24 July 2012, the date when the Shareholder Loan was drawn down by PPI;
“Board”	the board of Directors;
“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;
“Defiante”	Defiante Farmacêutica S.A., a company with limited liability and incorporated under the laws of Portugal, a substantial shareholder of the Company;
“Director(s)”	director(s) of the Company;
“Extended Repayment Date”	the expiry date of the Extended Term (i.e. 23 July 2014), or if PPI elects to make early repayment, the date as specified in the Written Notice;
“Extended Term”	the extended term for a period from 24 July 2013 to 23 July 2014, (i.e. one year extension of the original term of the Shareholder Loan);
“Extended Shareholder Loan”	the shareholder loan in the principal amount of US\$520,000 made by Lee’s International to PPI, which include the principal amount of the Shareholder Loan of US\$500,000 and the addition of US\$20,000 for the Extended Term made pursuant to the Shareholder Loan Agreement (as supplemented by the Supplemental Agreement);
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Lee’s International”	Lee’s Pharmaceutical International Limited, a company with limited liability and incorporated under the laws of the British Virgin Islands, a wholly owned subsidiary of the Company;
“PPI”	Powder Pharmaceuticals Incorporated, a company with limited liability and incorporated under the laws of the British Virgin Islands;
“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;
“Shareholder Loan Agreement”	the shareholder loan agreement dated 23 July 2012 entered into between Lee’s International and PPI;
“Shareholders”	holders of the Shares;
“Shares”	ordinary share(s) in the share capital of the Company with a nominal value of HK\$0.05 each;
“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;
“Supplemental Agreement”	the supplemental agreement dated 19 June 2013 entered into between Lee’s International and PPI;
“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 Mr. Li Xiaoyi who is a Director and a substantial shareholder of the Company;
“Third 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 dated 4 January 2013, details of which are set out in the announcement made by the Company on 4 January 2013

“Written Notice”	the 7-day written notice served by PPI in accordance with the terms of the Shareholder Loan Agreement (as supplemented by the Supplemental Agreement), which set out PPI’s intention to make early repayment on the Extended Shareholder Loan, together with interest accrued thereon;
“US\$”	United States dollars, the lawful currency of the 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; and
“%”	per cent.

For the purpose of illustration only, conversion of US\$ to HK\$ in this announcement is based on the exchange rate of US\$1 to HK\$7.76. Such conversion should not be construed as a representation that any amount have been, could have been, or may be, exchanged at this or any other rate.

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

Hong Kong, 19 June 2013

As at the date thereof, Ms. Lee Siu Fong (Chairman of the Company), 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.