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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: 950)

CONTINUING CONNECTED TRANSACTION

PROVISION OF GUARANTEE

PROVISION OF GUARANTEE

The Board announces that on 2 May 2014, (a) the Company and PPI signed the Facility Letter, pursuant to which the Company has given certain undertakings to the Bank; and (b) the Company has executed the Deed of Guarantee in favour of the Bank, pursuant to which the Company guaranteed to pay all secured indebtedness in respect of the Facility due and owing to the Bank by PPI.

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 7.49% of issued share capital of PPI. Dr. Li Xiaoyi and Swift Power, in aggregate, are also holding more than 10% of issued share capital of 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 PPI is a company falling within the meaning of Rule 14A.13(2)(a)(ii) of the Listing Rules.

The applicable percentage ratio under the Listing Rules for the Provision of Guarantee, together with all financial assistance by way of shareholder loan made by the Company (by itself or through Lee's International), on an annual basis does not exceed 5%, the Provision of Guarantee constitutes a continuing connected transaction and is subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirement of the Listing Rules.

* For identification purpose only

PROVISION OF GUARANTEE

Facility Letter

Date

2 May 2014

Parties

- (1) the Bank, as lender;
- (2) PPI, as borrower; and
- (3) the Company, as guarantor.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Bank and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons. PPI is a company falling within the meaning of Rule 14A.13(2)(a)(ii) of the Listing Rules.

Subject Matter

Pursuant to the Facility Letter, the Bank agreed to grant to PPI the Facility, comprising a revolving demand loan facility of up to HK\$6,000,000 and an overdraft facility of up to HK\$1,000,000, provided that the total outstanding balance of the Facility shall not at any time exceed HK\$6,000,000. The Facility is available to PPI for use until such time as the Bank may notify PPI in writing.

Material terms

The Company provided the following undertakings to the Bank in the Facility Letter:

- (a) the current ratio and the quick ratio of the Company should be above 1.3 and 1.0 respectively;
- (b) the net worth of the Company should be greater than the indebtedness owing by PPI to the Bank;
- (c) the earnings before the deduction of interest, tax and amortization expenses (EBITA) of the Company should remain profits standard;
- (d) Ms. Lee Siu Fong, Ms. Leelalertsuphakun Wanee and Dr. Li Xiaoyi should remain as the greatest shareholders of the Company; and
- (e) the Company shall maintain listed on the Stock Exchange.

Deed of Guarantee

Date

2 May 2014

Guarantor

The Company

Subject Matter

Pursuant to the Deed of Guarantee, the Company provides a guarantee to the Bank to pay all secured indebtedness in respect of the Facility in the amount of HK\$6,000,000, including but not limited to all interest, commissions, fees, other charges payable by PPI to the Bank, any costs and expenses incurred by the Bank in the recovery of payment from PPI.

REASONS FOR AND BENEFITS OF THE PROVISION OF GUARANTEE

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 need additional cash flow. The Provision of Guarantee by the Company for the Facility could allow PPI to have more financial resources to conduct development and production of new pharmaceutical products and thus, bringing better investment return to the Company as one of the shareholders of PPI.

The Directors (including the independent non-executive Directors) consider that the Provision of Guarantee is on normal commercial terms after arm's length negotiation 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. Mr. Mauro Bove, a non-executive Director, is the representative of Sigma-Tau which is directly interested in the issued share capital of PPI. As a result, both Dr. Li Xiaoyi and Mr. Mauro Bove are considered to have a material interest in the transactions contemplated under the Provision of Guarantee and are required to abstain, and have abstained, from voting on the relevant Board resolutions to approve the Provision of Guarantee. Save the above, no Director has a material interest in the transactions contemplated under the Provision of Guarantee and none of them is required to abstain, or has abstained from, voting on the relevant Board resolutions to approve the Provision of Guarantee.

INFORMATION OF PPI

PPI is incorporated in the British Virgin Islands on 6 August 2009 and is currently carrying on the business of, inter alia, producing, developing and the 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.

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The applicable percentage ratio under the Listing Rules for the Provision of Guarantee, together with all financial assistance by way of shareholder loan made by the Company (by itself or through Lee's International), on an annual basis does not exceed 5%, the Provision of Guarantee constitutes a continuing connected transaction and is 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:

“Board”	board of Directors
“Bank”	Nanyang Commercial Bank, Limited
“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

“continuing connected transaction”	has the meaning ascribed to it under the Listing Rules
“Deed of Guarantee”	the deed of guarantee dated 2 May 2014 executed by the Company in favour of the Bank, pursuant to which the Company agreed to guarantee to pay, among others, all secured indebtedness in respect of the Facility
“Director(s)”	director(s) of the Company
“Facility”	a revolving demand loan facility of up to HK\$6,000,000 and overdraft facility of up to HK\$1,000,000 pursuant to the terms of the Facility Letter, provided that the total outstanding balance of the Facility shall not at any time exceed HK\$6,000,000
“Facility Letter”	the facility letter issued by the Bank to PPI dated 14 April 2014, which was agreed and accepted by PPI and the Company on 2 May 2014
“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
“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
“Provision of Guarantee”	the undertakings given by the Company under the Facility Letter and the guarantee given by the Company in respect of the Facility under the Deed of Guarantee
“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
“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, 2 May 2014

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