

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 TRANSACTIONS

PROVISION OF FINANCIAL ASSISTANCE

Reference is made to the announcements of the Company dated 23 July 2012 and 19 June 2013 in relation to the Extended Second Shareholder Loan and 23 July 2013 in relation to the Fourth Shareholder Loan.

On 23 July 2014, Lee's International, a wholly owned subsidiary of the Company, and PPI entered into the Second Supplemental Agreement and the Supplemental Agreement, pursuant to which Lee's International agrees to: (i) further extend the term of the Extended Second Shareholder Loan for one year with the maturity date falling on 23 July 2015 under the Second Supplemental Agreement; and (ii) extend the term of the Fourth Shareholder Loan for one year with the maturity date falling on 24 July 2015 under the Supplemental Agreement.

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 approximately 14.54% 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 New Extended Second Shareholder Loan and the Extended Fourth Shareholder Loan made by Lee's International to PPI under the Second Supplemental Agreement and the Supplemental Agreement, respectively, constitute connected transactions pursuant to Rule 14A.27 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 New Extended Second Shareholder Loan, the Third Shareholder Loan, the Extended Fourth Shareholder Loan, the Fifth Shareholder Loan and the Guarantee, in aggregate does not exceed 5% and because of this, in accordance with Rule 14A.76(2) of the Listing Rules, the New Extended Second Shareholder Loan and the Extended Fourth Shareholder Loan are only subject to the annual reporting and announcement requirements and are 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 23 July 2012 and 19 June 2013 in relation to the Extended Second Shareholder Loan and 23 July 2013 in relation to the Fourth Shareholder Loan.

SECOND SUPPLEMENTAL AGREEMENT

Pursuant to the First Supplemental Agreement, the principal amount of Extended Second Shareholder Loan shall be US\$520,000 and it shall mature on 23 July 2014.

On 23 July 2014, the parties hereto entered into the Second Supplemental Agreement to extend the term of the Extended Second Shareholder Loan for one year as follows:

Date

23 July 2014

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 Extended Second Shareholder Loan for one year with the maturity date falling on 23 July 2015.

Principal amount of the New Extended Second Shareholder Loan

US\$520,000

Interest rate

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

Interest on the New Extended Second Shareholder Loan shall be accrued and calculated for the period commencing from 24 July 2014 and up to the Repayment Date.

Extended term

Subject to the early repayment as provided under the Second Supplemental Agreement, the term of the New Extended Second Shareholder Loan shall be one year commencing from 24 July 2014 and expiring on 23 July 2015.

Repayment schedule

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

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

SUPPLEMENTAL AGREEMENT

Pursuant to the Fourth Shareholder Loan Agreement, on 25 July 2013, Lee's International advanced the Fourth Shareholder Loan to PPI in the principal amount of HK\$4,000,000 at the interest rate of 4% per annum for a term of one year commencing from 25 July 2013. Pursuant to the Fourth Shareholder Loan Agreement, the Fourth Shareholder Loan shall mature on 24 July 2014.

On 23 July 2014, the parties hereto entered into the Supplemental Agreement to extend the term of the Fourth Shareholder Loan for one year as follows:

Date

23 July 2014

Parties

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

Subject Matter

Pursuant to the Supplemental Agreement, Lee's International and PPI agreed to extend the term of the Fourth Shareholder Loan for one year with the maturity date falling on 24 July 2015.

Principal amount of the Extended Fourth Shareholder Loan

HK\$4,000,000

Interest rate

Interest on the Extended Fourth 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 Fourth Shareholder Loan shall be accrued and calculated for the period commencing from 25 July 2014 and up to the Repayment Date.

Extended term

Subject to the early repayment as provided under the Supplemental Agreement, the term of the Extended Fourth Shareholder Loan shall be one year commencing from 25 July 2014 and expiring on 24 July 2015.

Repayment schedule

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

PPI shall have the right to make early repayment of the Extended Fourth Shareholder Loan, together with the interest accrued at any time during the abovementioned extended term for the Extended Fourth Shareholder Loan 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 Fourth 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 still needs the funding as obtained under each of the Extended Second Shareholder Loan and the Fourth 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 each of the Extended Second Shareholder Loan and the Fourth Shareholder Loan for one year further in order to support the sustained development of PPI and to allow PPI a higher degree of flexibility in its cash flow. Accordingly, on 23 July 2014, Lee's International and PPI entered into the Second Supplemental Agreement and the Supplemental Agreement on the terms set out above. The New Extended Second Shareholder Loan and the Extended Fourth Shareholder Loan would be utilized for PPI's general working capital.

The Directors (including the independent non-executive Directors) considered that the Second Supplemental Agreement and the Supplemental Agreement, which have 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. 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 Second Supplemental Agreement and the Supplemental Agreement and are required to abstain, and have abstained, from voting on the relevant Board resolutions to approve the Second Supplemental Agreement and the Supplemental Agreement. Save the above, no Director has a material interest in the transactions contemplated under the Second Supplemental Agreement and the 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 and the 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 7.49% of issued share capital of PPI. Dr. Li Xiaoyi and Swift Power, in aggregate, are also holding approximately 14.54% 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 New Extended Second Shareholder Loan and the Extended Fourth Shareholder Loan made by Lee's International to PPI under the Second Supplemental Agreement and the Supplemental Agreement, respectively, constitute connected transactions pursuant to Rule 14A.27 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 New Extended Second Shareholder Loan, the Third Shareholder Loan, the Extended Fourth Shareholder Loan, the Fifth Shareholder Loan and the Guarantee, in aggregate does not exceed 5% and because of this, in accordance with Rule 14A.76(2) of the Listing Rules, the New Extended Second Shareholder Loan and the Extended Fourth Shareholder Loan are only subject to the annual reporting and announcement requirements and are 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 |
| “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 Fourth Shareholder Loan” | the Fourth Shareholder Loan in the principal amount of HK\$4,000,000 made by Lee’s International to PPI pursuant to the Fourth Shareholder Loan Agreement, as supplemented by the Supplemental Agreement |
| “Extended Second Shareholder Loan” | the Second Shareholder Loan (as extended by the First Supplemental Agreement with an increased principal amount of up to US\$520,000), details of which are set out in the announcements made by the Company on 23 July 2012 and 19 June 2013, respectively |
| “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, details of which are set out in the announcement made by the Company on 7 October 2013 |
| “First Supplemental Agreement” | the supplemental agreement dated 19 June 2013 entered into between Lee’s International and PPI in respect of the Extended Second 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, details of which are set out in the announcement made by the Company on 23 July 2013 |
| “Fourth Shareholder Loan Agreement” | the shareholder loan agreement dated 23 July 2013 entered into between Lee’s International and PPI in respect of the Fourth Shareholder Loan |
| “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 |
| “New Extended Second Shareholder Loan” | the Second Shareholder Loan in the principal amount of US\$520,000 made by Lee’s International to PPI made pursuant to the Second Shareholder Loan Agreement, as supplemented by the First Supplemental Agreement and the Second Supplemental Agreement |
| “ordinary and usual course of business” | has the meaning ascribed to it under the Listing Rules |
| “PPI” | Powder Pharmaceuticals Incorporated, a company with limited liability and incorporated under the laws of the British Virgin Islands |
| “PRC” | People’s Republic of China and for the purpose of this announcement shall not include Hong Kong, Macau Special Administrative Region of the PRC and Taiwan |
| “Repayment Date” | (i) in the context of the New Extended Second Shareholder Loan, means 23 July 2015, or if PPI elects to make early repayment, the date as specified in the Written Notice; and (ii) in the context of the Extended Fourth Shareholder Loan, means 24 July 2015, 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, details of which are set out in the announcement made by the Company on 23 July 2012 |
| “Second Shareholder Loan Agreement” | the shareholder loan agreement dated 23 July 2012 entered into between Lee’s International and PPI in respect of the Second Shareholder Loan |

| | |
|---------------------------------|--|
| “Second Supplemental Agreement” | the amendment to supplemental agreement dated 23 July 2014 entered into between Lee’s International and PPI in relation to the New Extended Second Shareholder Loan |
| “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 |
| “Supplemental Agreement” | the supplemental agreement dated 23 July 2014 entered into between Lee’s International and PPI in relation to the Extended Fourth Shareholder Loan |
| “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 |
| “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, as supplemented by the supplemental agreement dated 20 December 2013, details of which are set out in the announcements made by the Company on 4 January 2013 and 20 December 2013, respectively |
| “Written Notice” | the 7-day written notice served by PPI in accordance with the terms of the Second Supplemental Agreement and the Supplemental Agreement (as the case may be), which sets out PPI’s intention to make early repayment on the New Extended Second Shareholder Loan and the Extended Fourth Shareholder Loan (as the case may be), 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, 23 July 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.

* *For identification purpose only*