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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

On 23 July 2012, Lee's International, a wholly owned subsidiary of the Company, and PPI entered into the Shareholder Loan Agreement, pursuant to which, Lee's International agrees to advance the Shareholder Loan in the principal amount of US\$500,000 (approximately HK\$3,890,000) to PPI at an interest rate of 4% per annum. The Term of the Loan shall be one year commencing from the Advance Date.

Defiante is a substantial shareholder of the Company, Mr. Li Xiaoyi is a Director and a substantial shareholder of the Company, and Swift Power is a company wholly owned by Mr. Li Xiaoyi. Defiante, Mr. Li Xiaoyi and Swift Power are all connected person of the Company under the Listing Rules. Lee's International is the shareholders of PPI (i.e. the borrower in the Shareholder Loan Agreement), and at the same time, Defiante, Mr. Li Xiaoyi and Swift Power are also the shareholders of PPI. Defiante, being a connected person of the Company, is holding approximately 7.46% of equity interest in PPI. Mr. Li Xiaoyi and Swift Power, in aggregate, are also holding more than 10% of equity interest in 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 Shareholder Loan made by Lee's International to PPI under the Shareholder Loan 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 Shareholder Loan and the First Shareholder Loan, in aggregate, does not exceed 5%. Since the applicable percentage ratio is less than 5%, in accordance with Rule 14A.66(2) of the Listing Rules, the Shareholder Loan is subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirement of the Listing Rules.

SHAREHOLDER LOAN AGREEMENT

Date

23 July 2012

Parties

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

Principal amount of the Shareholder Loan

US\$500,000 (approximately HK\$3,890,000)

Interest rate

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

Interest shall be accrued and calculated for the period commencing from the Advance Date up to (but excluding) the Repayment Date.

Drawdown

The Loan shall be drawn on the Advance Date by serving not less than two Business Days' prior written notice by PPI to Lee's International.

Term

Subject to the early repayment as provided under the Shareholder Loan Agreement, the Term of the Loan shall be one year commencing from the Advance Date.

Repayment schedule

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

PPI shall have the right to make early repayment of the Loan, together with the interest accrued at any time during the 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 Loan shall be made.

REASONS FOR AND BENEFITS OF THE SHAREHOLDER LOAN AGREEMENT

PPI is in the course of expanding its business operation in producing, developing and sale of a new pharmaceutical product. To ensure such steady growth will be backed by ample financial resources, PPI would need additional cash flow. Therefore, after arm's length negotiation between PPI and Lee's International, a shareholder of PPI, Lee's International agrees to further make the Shareholder Loan at a market interest rate to PPI. Accordingly, on 23 July 2012, Lee's International and PPI entered into the Shareholder Loan Agreement on the terms set out above. The Shareholder Loan made to PPI would be utilized for PPI's general working capital.

The Directors (including the independent non-executive Directors) considered that the Shareholder Loan 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 interests of the Company and the Shareholders as a whole. Mr. 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 directly interested in the equity interest in PPI. As a result, both of Mr. Li Xiaoyi and Mr. Mauro Bove are considered to have a material interest in the transactions contemplated under the Shareholder Loan Agreement and are required to and have abstained from voting on the relevant Board resolutions to approve the Shareholder Loan Agreement. Save for the above, no Director has a material interest in the transactions contemplated under the Shareholder Loan Agreement and none of them is required to, or has abstained from voting on the relevant Board resolutions to approve the Shareholder Loan Agreement.

INFORMATION OF PPI

PPI is incorporated in the British Virgin Islands on 6 August 2009. PPI is currently carrying on the business of producing, developing and sales of, inter alia, 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, Mr. Li Xiaoyi is a Director and a substantial shareholder of the Company and Swift Power is a company wholly owned by Mr. Li Xiaoyi. Defiante, Mr. Li Xiaoyi and Swift Power are all connected person of the Company under the Listing Rules. Lee's International is the shareholders of PPI (i.e. the borrower in the Shareholder Loan Agreement), and at the same time, Defiante, Mr. Li Xiaoyi and Swift Power are also the shareholders of PPI. Defiante, being a connected person of the Company, is holding approximately 7.46% of equity interest in PPI. Mr. Li Xiaoyi and Swift Power, in aggregate, are also holding more than 10% of equity interest in 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 Shareholder Loan made by Lee's International to PPI under the Shareholder Loan 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 Shareholder Loan and the First Shareholder Loan, if aggregated, does not exceed 5%. Since the applicable percentage ratio is less than 5%, in accordance with Rule 14A.66(2) of the Listing Rules, the Shareholder Loan 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:

“Advance Date”	the date when the Shareholder Loan is drawn down by PPI within the Availability Period;
“Availability Period”	a period of one month commencing from the date of the Shareholder Loan Agreement;
“Board”	the 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;
“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;
“First 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 28 February 2012, details of which are set out in the announcement made by the Company on 28 February 2012
“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;
“Repayment Date”	the expiry date of the Term, or if PPI elects to make early repayment, the date as specified in the Written Notice;
“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;
“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;
“Term”	the term of the Loan, which is one year commencing from the Advance Date;
“Written Notice”	the 7-day written notice served by PPI in accordance with the terms of the Shareholder Loan Agreement, which set 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 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\$7.78. 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, 23 July 2012

* *For identification purpose only*

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.