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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)

CONTINUING CONNECTED TRANSACTION PROVISION OF FINANCIAL ASSISTANCE

PROVISION OF GUARANTEE

On 11 February 2020, the Company and PPI signed the Renewed Facility Letter, pursuant to which the Company confirmed the provision of a guarantee in favour of the Bank to pay all secured indebtedness in respect of the Renewed Facility due and owing to the Bank by PPI.

LISTING RULES IMPLICATIONS

GL Partners is a substantial shareholder of the Company and therefore, a connected person of the Company under the Listing Rules as at the date of this announcement.

At the same time, Lee's International and GL Partners are both shareholders of PPI, while GL Partners, being a connected person of the Company, is entitled to exercise or control the exercise of 10% or more of the voting power at any general meeting of PPI. Therefore PPI is a commonly held entity falling within the meaning of Rule 14A.27 of the Listing Rules and the Provision of Guarantee constitutes a continuing connected transaction pursuant to Rule 14A.26 of the Listing Rules.

The highest applicable percentage ratio under the Listing Rules for the Provision of Guarantee on annual basis and Previous Financial Assistance made by the Company (by itself or through Lee's International), on a standalone and on an aggregated basis, does not exceed 5%. Therefore, in accordance with Rule 14A.76(2) of the Listing Rules, the Provision of Guarantee 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.

* For identification purpose only

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Renewed Facility Letter

Date

24 January 2020

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 commonly held entity falling within the meaning of Rule 14A.27 of the Listing Rules.

Subject matter

Pursuant to the Renewed Facility Letter, (i) the Bank agreed to grant to PPI the Renewed Facility, comprising a revolving loan facility of up to HK\$13,000,000, a demand loan facility of up to HK\$40,000,000, and an overdraft facility of up to HK\$6,000,000, provided that the total outstanding balance of the overdraft facility and revolving loan facility shall not at any time exceed HK\$13,000,000; and (ii) the Company confirmed the provision of guarantee in favour of the Bank to pay all secured indebtedness in respect of the Renewed Facility due and owing to the Bank by PPI, 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. In addition, under the Renewed Facility Letter, the Company gives to the Bank certain covenants and undertakings with respect to its financial positions in the Group.

The Renewed Facility is available to PPI for use until such time as the Bank may notify PPI in writing. The final maturity date of the revolving loan facility of up to HK\$13,000,000 under the Renewed Facility Letter is 120 days from the date of drawdown (or such other date as the Bank may deem fit). The final maturity date of the demand loan facility of up to HK\$40,000,000 under the Renewed Facility Letter is 3 years from the date of drawdown (or such other date as the Bank may agree).

The annual cap under the Provision of Guarantee is HK\$53,000,000, being the guaranteed amount given by the Company in favour of the Bank in respect of the Renewed Facility.

The Renewed Facility Letter supersedes all previous facility letters and arrangements previously issued by the Bank (and accepted by PPI (as borrower) and the Company (as guarantor)), including the facility letter issued by the Bank to PPI dated 5 March 2019, which was agreed and accepted by PPI (as borrower) and the Company (as guarantor) on 14 March 2019. For details of the facility letter issued by the Bank to PPI dated 5 March 2019, which was agreed and accepted by PPI (as borrower) and the Company (as guarantor) on 14 March 2019, please refer to the announcement made by the Company on 14 March 2019.

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 medical devices. To ensure such steady growth will be backed by ample financial resources, PPI needs cash flow to expand its business operation in producing, developing and in promoting the sale of medical devices. The Provision of Guarantee by the Company for the Renewed Facility could allow PPI to have more financial resources to conduct development and production of new medical devices and thus, bringing better investment return to the Company as one of the shareholders of PPI.

The Directors (including the independent non-executive Directors) considered that the terms of the Provision of Guarantee and the transactions contemplated thereunder, 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, and in view of such interests, he is considered to have an interest in the transaction contemplated under the Provision of Guarantee, and is required to abstain, or has abstained, from voting on the relevant Board resolutions to approve the Provision of Guarantee. Save for 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 AND THE BANK

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, and other medical devices such as the developing of continuous glucose monitoring system. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the shareholding structure of PPI is as follows:

Shareholders of PPI	Shareholding	Remark
Lee's International	33.92%	Lee's International is a wholly owned subsidiary of the Company.
DF Pharma Investment Limited	20.12%	DF Pharma Investment Limited is wholly owned by a fund (the "Fund") managed by its general partner, namely GL Partners Capital Management Limited, and the Fund is owned as to 98% by Assicurazioni Generali, S.p.A., a company with its shares listed in Milan Stock Exchange.
Minter Chemical Limited	11.47%	Minter Chemical Limited is wholly owned by Mr. Huang Wei, who is, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, a third party independent of the Company and its connected persons.
Swift Power Investments Limited	8.15%	Swift Power Investments Limited is wholly owned by Dr. Li Xiaoyi, who is an executive director of the Company.
Dr. Li Xiaoyi	0.69%	Dr. Li Xiaoyi is an executive director of the Company.
Other investors	25.65%	The shareholdings of each of the other investors is less than 10%.
Total	100.00%	

The Bank is a licensed bank in Hong Kong registered under the Banking Ordinance (Cap. 155, Laws of Hong Kong) providing various personal banking and commercial banking services. To the best of the Director's knowledge, information and belief having made all reasonable enquiries, the Bank's immediate holding company is Cinda Financial Holdings Co., Limited, the Bank's ultimate holding company is China Cinda Asset Management Co., Ltd., a joint stock company incorporated in the PRC with limited liability with its H shares listed on the Main Board of the Stock Exchange (stock code: 1359) and none of the Bank or China Cinda Asset Management Co., Ltd. hold shares of the Company. The Directors do not have information or knowledge on the ultimate beneficial owners of China Cinda Asset Management Co., Ltd.

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. Lee's International is a wholly owned subsidiary of the Company and its principal business activity is investment holding.

LISTING RULES IMPLICATIONS

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The highest applicable percentage ratio under the Listing Rules for the Provision of Guarantee on annual basis and Previous Financial Assistance made by the Company (by itself or through Lee's International), on a standalone and on an aggregated basis, does not exceed 5%. Therefore, in accordance with Rule 14A.76(2) of the Listing Rules, the Provision of Guarantee 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:

“Bank”	Nanyang Commercial Bank, Limited
“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
“continuing connected transaction”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“GL Partners”	GL Partners Capital Management Limited
“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
“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

“Previous Financial Assistance” the provision of the Previous Shareholder Loan by Lee’s International to PPI

“Previous Shareholder Loan” the existing shareholder loans provided by Lee’s International to PPI which comprises of:

- (a) the shareholder loan in the principal amount of HK\$3,000,000 made by Lee’s International to PPI under the shareholder loan agreement dated 28 March 2018 (as supplemented by the supplemental agreement dated 27 March 2019) entered into between Lee’s International and PPI;
- (b) the shareholder loan in the principal amount of HK\$3,000,000 made by Lee’s International to PPI under the shareholder loan agreement dated 15 June 2018 (as supplemented by the supplemental agreement dated 14 June 2019) entered into between Lee’s International and PPI;
- (c) the shareholder loan in the aggregate principal amount of HK\$25,056,000 made by Lee’s International to PPI under the supplemental agreement dated 19 July 2019 entered into between Lee’s International and PPI;
- (d) the shareholder loan in the principal amount of HK\$3,000,000 made by Lee’s International to PPI under the shareholder loan agreement dated 28 September 2018 (as supplemented by the supplemental agreement dated 27 September 2019) entered into between Lee’s International and PPI; and
- (e) 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 18 November 2019 entered into between Lee’s International and PPI.

“Provision of Guarantee” the guarantee given by the Company in favour of the Bank in respect of the Renewed Facility with the guaranteed amount of HK\$53,000,000

“Renewed Facility”	a revolving loan facility of up to HK\$13,000,000, a demand loan facility of up to HK\$40,000,000 and overdraft facility of up to HK\$6,000,000 pursuant to the terms of the Renewed Facility Letter, provided that the total outstanding balance of the overdraft facility and revolving loan facility shall not at any time exceed HK\$13,000,000
“Renewed Facility Letter”	the facility letter issued by the Bank to PPI dated 24 January 2020, which was agreed and accepted by PPI (as borrower) and the Company (as guarantor) on 11 February 2020
“Shareholders”	holders of the Shares
“Shares”	ordinary share(s) of nominal value of HK\$0.05 each in the capital of the Company
“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, 11 February 2020

As at the date of this announcement, Ms. Lee Siu Fong (Chairman), Ms. Leelalertsuphakun Wanee and Dr. Li Xiaoyi are executive Directors, Mr. Simon Miles Ball 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.