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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 THE ESTABLISHMENT OF AN INVESTMENT FUND AND SUBSCRIPTION OF THE INTEREST IN THE FUND**

On 7 August 2015, Dr. Li (being the Initial Limited Partner) and the General Partner entered into the Initial Limited Partnership Agreement in relation to the establishment and management of the Fund. On 21 August 2015, the General Partner, Dr. Li (being the Initial Limited Partner), the Company and the Other Investor entered into the Limited Partnership Agreement, which amended and restated the terms of the Initial Limited Partnership Agreement.

On 21 August 2015, the Fund, the General Partner (signed on its own and on behalf of all existing Limited Partners) and the Company entered into the Subscription Agreement, pursuant to which the Company agrees to invest with the capital commitment of US\$8,500,000 (equivalent to approximately HK\$66,300,000) in the Fund as a Limited Partner.

The Fund has been established in the Cayman Islands as an exempted limited partnership with the principal objective of generating attractive financial returns through investing in privately held companies with listing potential in the biomedical sectors in the United States of America, Europe and Asia, including but not limited to the areas of pharmaceuticals, biologics, diagnostics and medical devices. The Fund will be managed by the General Partner.

\* *for identification purpose only*

As Dr. Li, being a connected person of the Company, holds 65% of the equity interest in the General Partner, the General Partner is an associate of Dr. Li under the Listing Rules and therefore is a connected person of the Company. As such, the Investment constitutes a connected transaction for the Company under Rule 14A.25 of the Listing Rules. As the applicable percentage ratios with respect to the Investment is less than 5%, by virtue of Rule 14A.76(2) of the Listing Rules, such transaction constitute *de minimis* connected transaction and is exempted from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **INTRODUCTION**

On 7 August 2015, Dr. Li (being the Initial Limited Partner) and the General Partner entered into the Initial Limited Partnership Agreement in relation to the establishment and management of the Fund. On 21 August 2015, the General Partner, Dr. Li (being the Initial Limited Partner), the Company and the Other Investor entered into the Limited Partnership Agreement, which amended and restated the terms of the Initial Limited Partnership Agreement.

On 21 August 2015, the Fund, the General Partner (signed on its own and on behalf of all existing Limited Partners) and the Company entered into the Subscription Agreement, pursuant to which the Company agrees to invest with the capital commitment of US\$8,500,000 (equivalent to approximately HK\$66,300,000) in the Fund as a Limited Partner.

## **THE LIMITED PARTNERSHIP AGREEMENT AND THE SUBSCRIPTION AGREEMENT**

### **Date of the Limited Partnership Agreement and the Subscription Agreement**

21 August 2015

### **Parties to the Limited Partnership Agreement**

- (1) Lee's Healthcare Industry Investment Limited as the general partner of the Fund;
- (2) Dr. Li as the Initial Limited Partner;
- (3) the Company as the Limited Partner; and
- (4) the Other Investor as the Limited Partner.

As at the date of this announcement, Dr. Li is an executive Director. As Dr. Li, being a connected person of the Company, holds 65% of the equity interest in the General Partner, the General Partner is an associate of Dr. Li under the Listing Rules and therefore a connected person of the Company.

As at the date of this announcement, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Other Investor is an Independent Third Party.

## **Parties to the Subscription Agreement**

- (1) the Fund;
- (2) Lee's Healthcare Industry Investment Limited as the general partner of the Fund and attorney of all existing Limited Partner; and
- (3) the Company as the subscriber and the Limited Partner.

## **Capital Commitment and the consideration**

Pursuant to the Limited Partnership Agreement and the Subscription Agreement, the Company (as the Limited Partner) agrees to subscribe for and agrees to purchase a partnership interest in the Fund with the capital commitment of US\$8,500,000 (equivalent to approximately HK\$66,300,000).

In addition, pursuant to the Limited Partnership Agreement and another subscription agreement entered into between the Other Investor, the Fund and the General Partner (signed on its own and on behalf of all existing Limited Partners) on 21 August 2015, which is in form and substance substantially the same as the Subscription Agreement, the Other Investor (as the Limited Partner) also agrees to subscribe for and agrees to purchase a partnership interest in the Fund with the capital commitment of US\$10,000,000 (equivalent to approximately HK\$78,000,000).

Further, pursuant to the Limited Partnership Agreement, the General Partner (as a general partner of the Fund) agrees to purchase a partnership interest in the Fund for the amount equal to 1% of the aggregate capital contributions made by all of the Limited Partners in the Fund during the Term. The amount of the capital contribution to be made by the General Partner shall be increased when there is any increase in the capital contributions made by any of the Limited Partners in the Fund such that the capital contribution made by the General Partner shall always be equal to 1% of the aggregate capital contributions made by all of the Limited Partners. As at the date of this announcement, the capital contribution made by the General Partner shall be US\$185,000 (equivalent to approximately HK\$1,443,000).

Pursuant to the Limited Partnership Agreement, upon the admission of the Company and the Other Investor (as the Limited Partners) to the Fund at the Initial Closing, Dr. Li (being the Initial Limited Partner) shall immediately receive the return of initial capital contribution made by him to the Fund (i.e. US\$1), withdraw as the Initial Limited Partner and have no further right, interest or obligation of any kind whatsoever in the Fund.

As at the date of this announcement, the total capital commitment made by all of the General Partner and the Limited Partners is US\$18,685,000 (equivalent to approximately HK\$145,743,000), the breakdown of which is set out below:

	<b>Amount of the capital commitment (US\$)</b>	<b>% of the interest of the Fund as at the Initial Closing</b>
The General Partner (as general partner of the Fund)	185,000	1.0%
The Company (as Limited Partner)	8,500,000	45.5%
The Other Investor (as Limited Partner)	10,000,000	53.5%
<b>Total</b>	<b><u>18,685,000</u></b>	<b><u>100.0%</u></b>

The first capital contribution of the Fund is 15% of the capital commitment made by the Company as Limited Partner, and should be paid on the date of the Initial Closing. The Company should fund the subsequent capital contributions when it gets the drawdown notice from the General Partner until the total capital commitment made by the Company is fully paid. The timelines on the first capital contribution and all subsequent capital contributions of the Fund to be made by each of the Other Investor and the General Partner are the same as those made by the Company.

The capital commitment to the Fund was determined after arms' length negotiation between the General Partner, the Company and the Other Investor with reference to the capital requirement of the Fund. The capital commitment of the Fund made by the Company will be funded by the Group's internal resources.

### **Fund size**

An aggregate amount (inclusive of all capital commitments made by the general partner of the Fund and the Limited Partners) from a minimum of US\$10,000,000 (equivalent to approximately HK\$78,000,000) to a maximum of US\$20,200,000 (equivalent to approximately HK\$157,560,000).

### **Term of the Fund**

The term of the Fund shall commence on the date of the Initial Limited Partnership Agreement and shall continue until the Fund is wound up and subsequently dissolved completely in accordance with the terms of the Limited Partnership Agreement.

### **Transfer of the interest of the Fund**

The Limited Partners are not generally permitted to sell, assign, conveyance, pledge, mortgage, charge, encumbrance, securitize, hypothecate, or otherwise dispose their interest in the Fund without the prior written consent of the General Partner.

## **Information of the Fund**

The Fund has been established in the Cayman Islands as an exempted limited partnership with the principal objective of generating attractive financial returns through investing in privately held companies with listing potential in the biomedical sectors in the United States of America, Europe and Asia, including but not limited to the areas of pharmaceuticals, biologics, diagnostics and medical devices. The Fund will be managed by the General Partner.

## **Management Fee**

The General Partner shall act as the manager of the Fund unless other manager is appointed by the Fund from time to time. The General Partner is entitled to the management fee payable by the Fund.

The Fund will initially pay during the Investment Period an annual management fee equal to 2% of the net capital commitment of each Limited Partner to the Fund minus the transaction, director and break-up fees; and subsequently after the Investment Period pay an annual management fee equal to 2% of the capital contribution of each Limited Partner to the Fund that were used to fund the cost of the Fund's investments which are held and have not been completely written off, in accordance with the terms of the Limited Partnership Agreement.

## **Carried Interest**

The Fund may earn cash proceeds by selling or disposing of, in whole or in part, of the debt or equity investments made by the Fund, obtaining dividends, interests or other income from the investment made by the Fund as well as those from any other source. Such cash proceeds shall first be distributed to all partners of the Fund in full with respect to each of their capital contributions with respect to the investments and costs/expenses.

A carried interest, which will equal to 20% of any remaining cash proceeds which has not yet been distributed after all of the capital contributions of each partner of the Fund with respect to the investments and costs/expenses have been distributed to such partner, will be payable to the General Partner.

## **LISTING RULES IMPLICATIONS**

As Dr. Li, being a connected person of the Company, holds 65% of the equity interest in the General Partner, the General Partner is an associate of Dr. Li under the Listing Rules and therefore is a connected person of the Company. As such, the Investment constitutes a connected transaction of the Company under Rule 14A.25 of the Listing Rules. As the applicable percentage ratios with respect to the Investment is less than 5%, by virtue of Rule 14A.76(2) of the Listing Rules, such transaction constitute *de minimis* connected transaction and is exempted from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **REASONS FOR AND BENEFITS OF THE INVESTMENT**

The Board believes the establishment of the Fund and the subscription of interest in the Fund represent a good investment opportunity and the Company anticipates an attractive return from the investment into the companies with listing potentials in the biomedical sectors in the United States of America, Europe and Asia.

The Board (including all the independent non-executive Directors but excluding Dr. Li who has abstained from voting) considers that the terms of the Limited Partnership Agreement and the Subscription Agreement are fair and reasonable, in normal commercial terms and in the interests of the Company and its shareholders as a whole.

Save for Dr. Li, who has abstained from voting from the Board resolutions for approving the Limited Partnership Agreement and the Subscription Agreement, and the transactions as contemplated thereunder, none of the Director has any material interest in the Limited Partnership Agreement and the Subscription Agreement, and the transactions as contemplated thereunder or none of the Director is required to abstain from voting from the Board resolutions for considering and approving the same pursuant to the memorandum and articles of association of the Company.

## **INFORMATION ON THE PARTIES**

### **General Partner**

Lee's Healthcare Industry Investment Limited is the general partner of the Fund. It is a Cayman Islands exempted company with limited liability. The General Partner is incorporated to set up the Fund and act as the manager of the Fund.

As Dr. Li, being a connected person of the Company, holds 65% of the equity interest in the General Partner, the General Partner is an associate of Dr. Li under the Listing Rules and therefore a connected person of the Company.

### **Limited Partners**

As at the date of this announcement, the Company and the Other Investor are the Limited Partners.

As at the date of this announcement, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Other Investor is an Independent Third Party.

### **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.

## **Fund**

The Fund has been established in the Cayman Islands as an exempted limited partnership with the principal objective of generating attractive financial returns through investing in privately held companies with listing potentials in the biomedical sectors in the United States of America, Europe and Asia, including but not limited to the areas of pharmaceuticals, biologics, diagnostics and medical devices. The Fund will be managed by the General Partner.

## **DEFINITIONS**

“associate”	has the meaning ascribed to it under the Listing Rules
“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
“Director”	director of the Company
“Dr. Li”	Dr. Li Xiaoyi, an executive Director
“Fund”	Lee’s Healthcare Industry Fund L.P., a Cayman Islands exempted limited partnership
“General Partner”	Lee’s Healthcare Industry Investment Limited, a Cayman Islands exempted company with limited liability, which is the general partner of the Fund
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	any person or company and its ultimate beneficial owner(s), to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, are third parties independent of the Company and its connected person
“Initial Closing”	means the date falling 45 business days after execution of the Subscription Agreement or, if determined by the General Partner, any date thereafter



“Initial Limited Partner”	the initial limited partner for the establishment of the Fund
“Initial Limited Partnership Agreement”	the initial limited partnership agreement in relation to the establishment and management of the Fund entered into between Dr. Li (being the Initial Limited Partner) and the General Partner on 7 August 2015, which has been amended and restated by the Limited Partnership Agreement
“Investment”	the investment by the Company of a limited partnership interest in the Fund with the capital commitment of US\$8,500,000 (equivalent to approximately HK\$66,300,000) in accordance with the terms of the Subscription Agreement and the Limited Partnership Agreement
“Investment Period”	means the period commencing on the Initial Closing and ending on the third anniversary of the day of the Initial Closing with the right to extend or early terminate for any period at the discretion of the General Partner
“Limited Partner(s)”	the investor(s) admitted as limited partner of the Fund
“Limited Partnership Agreement	the amended and restated limited partnership agreement dated 21 August 2015 entered into between the General Partner, Dr. Li (being the Initial Limited Partner), the Company and the Other Investor to govern their relationship and provided for (among others) the manner of operation and management of the Fund
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Other Investor”	an individual investor of the Fund, who is an Independent Third Party
“percentage ratio”	has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan



“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement dated 21 August 2015 entered into between the Fund, the General Partner (signed on its own and on behalf of all existing Limited Partners) and the Company
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Term”	term of the Fund, which shall commence on the date of the Initial Limited Partnership Agreement and shall continue until the Fund is wound up and subsequently dissolved completely in accordance with the terms of the Limited Partnership Agreement
“US\$”	United States dollar(s), the lawful currency of the United States of America
“%”	per cent

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

Hong Kong, 21 August 2015

*As at the date of this announcement, Ms. Lee Siu Fong (Chairman), Ms. Leelalertsuphakun Wanee and Dr. Li Xiaoyi are executive Directors, Dr. Marco Maria Brughera 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.*

*In this announcement, US\$ has been converted to HK\$ at the rate of approximately US\$1 = HK\$7.8 for illustrative purpose only. No representation is made that any amounts in US\$ or HK\$ have been, could have been, or could be converted at the above rate or at any other rates or at all.*