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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

Reference is made to the announcement of the Company dated 13 June 2016 in relation to the First Shareholder Loan.

On 13 June 2017, Lee's International, a wholly owned subsidiary of the Company, and COF entered into the Supplemental Agreement, pursuant to which Lee's International agrees to further extend the term of the First Shareholder Loan for one year with the maturity date falling on 14 June 2018 under the Supplemental Agreement.

Ms. Leelalertsuphakun Wanee, Ms. Lee Siu Fong and Dr. Li Xiaoyi are the Directors and substantial shareholders of the Company, who are connected persons of the Company under the Listing Rules. They hold 90% of the equity interest in Perfect Concept and therefore, Perfect Concept is the associate of Ms. Leelalertsuphakun Wanee, Ms. Lee Siu Fong and Dr. Li Xiaoyi, and is then a connected person of the Company under the Listing Rules. Lee's International is a shareholder of COF and at the same time, Perfect Concept, is also a shareholder of COF. Perfect Concept, being a connected person of the Company, is holding 35% of the issued share capital of COF, and therefore, the Extended First Shareholder Loan made by Lee's International to COF under the Supplemental Agreement constitutes a connected transaction pursuant to Rule 14A.27 of the Listing Rules.

The applicable percentage ratio for all financial assistance made by the Company (through Lee's International) to COF, including the Extended First Shareholder Loan and the Second Shareholder Loan, in aggregate does not exceed 5% and therefore, in accordance with Rule 14A.76(2) of the Listing Rules, the Extended First Shareholder Loan is only subject to the annual 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

Reference is made to the announcement of the Company dated 13 June 2016 in relation to the First Shareholder Loan.

On 15 June 2016, Lee's International advanced the Shareholder Loan to COF in the principal amount of HK\$10,000,000 at the interest rate of 4% per annum for a term of one year commencing from 15 June 2016. Pursuant to the First Shareholder Loan Agreement, the First Shareholder Loan shall mature on 14 June 2017. On 13 June 2017, the parties entered into the Supplemental Agreement to extend the term of the Shareholder Loan for one year as follows:

SUPPLEMENTAL AGREEMENT

Date

13 June 2017

Parties

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

Subject Matter

Pursuant to the Supplemental Agreement, Lee's International and COF agreed to extend the term of the First Shareholder Loan for one year with the maturity date falling on 14 June 2018.

Principal amount of the Extended First Shareholder Loan

HK\$10,000,000

Interest rate

Interest on the Extended First 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 First Shareholder Loan shall be accrued and calculated for the period commencing from 15 June 2017 and up to (but excluding) the Repayment Date.

Extended term

Subject to the early repayment as provided under the Supplemental Agreement, the term of the Extended First Shareholder Loan shall be one year commencing from 15 June 2017 and expiring on 14 June 2018.

Repayment schedule

COF shall repay the Extended First Shareholder Loan together with the interest accrued on the Repayment Date.

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

REASONS FOR AND BENEFITS OF THE SUPPLEMENTAL AGREEMENT

COF is held by the Company (through Lee's International) and is treated as an indirect non-wholly owned subsidiary of the Company and is the development arm of oncology products of the Group. The intended use of the First Shareholder Loan and Second Shareholder Loan by COF will be the general working capital for the development of new drugs in oncology therapeutic area and the provision of financial assistance will generate additional profit attributable to the Shareholders. As such, the Directors (including the independent non-executive Directors) are of the view that the provision of the financial assistance given by Lee's International for the benefit of COF will in turn benefit the Group. Therefore, after arm's length negotiation between COF and Lee's International, a shareholder of COF, Lee's International agrees to extend the term of the First Shareholder Loan at a market interest rate to COF. Accordingly, on 13 June 2017, Lee's International and COF entered into the Supplemental Agreement on the terms set out above.

The Directors (including the independent non-executive Directors) considered that the Supplemental Agreement, which has been entered into after arm's length negotiation between Lee's International and COF, 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. Ms. Leelalertsuphakun Wanee, Ms. Lee Siu Fong and Dr. Li Xiaoyi, all are executive Directors and substantial shareholders of the Company, is indirectly (through Perfect Concept) interested in the issued share capital of COF. As a result, all of Ms. Leelalertsuphakun Wanee, Ms. Lee Siu Fong and Dr. Li Xiaoyi are considered to have a material interest in the transactions contemplated under the Supplemental Agreement and are required to abstain, and have abstained, from voting on the relevant Board resolutions to approve the Supplemental Agreement. Save for the above, no Director has a material interest in the transactions contemplated under the Supplemental Agreement and none of them is required to abstain or has abstained from, voting on the relevant Board resolutions to approve the Supplemental Agreement.

INFORMATION OF COF

COF was incorporated in the British Virgin Islands on 20 October 2000, and is currently carrying on the business in, inter alia, developing of oncology-focused pharmaceutical products.

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

Ms. Leelalertsuphakun Wanee, Ms. Lee Siu Fong and Dr. Li Xiaoyi are the Directors and substantial shareholders of the Company who are connected persons of the Company under the Listing Rules. They hold 90% of the equity interest in Perfect Concept and therefore, Perfect Concept is the associate of Ms. Leelalertsuphakun Wanee, Ms. Lee Siu Fong and Dr. Li Xiaoyi, and is then a connected person of the Company under the Listing Rules. Lee's International is a shareholder of COF and at the same time, Perfect Concept, is also a shareholder of COF. Perfect Concept, being a connected person of the Company, is holding 35% of the issued share capital of COF, and therefore, the Extended First Shareholder Loan made by Lee's International to COF under the Supplemental Agreement constitutes a connected transaction pursuant to Rule 14A.27 of the Listing Rules.

The applicable percentage ratio for all financial assistance made by the Company (through Lee's International) to COF, including the Extended Shareholder Loan and the Second Shareholder Loan, when aggregated, does not exceed 5% and therefore, in accordance with Rule 14A.76(2) of the Listing Rules, the Shareholder Loan is only subject to the annual 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:

“Board”	board of Directors
“COF”	China Oncology Focus Limited, a company with limited liability and incorporated under the laws of the British Virgin Islands on 20 October 2000 and held by the Company (through Lee's International) as to 65% as at the date of this announcement
“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 First Shareholder Loan”	the First Shareholder Loan in the principal amount of HK\$10,000,000 made by Lee’s International to COF made pursuant to the First Shareholder Loan Agreement, as supplemented by the Supplemental Agreement
“First Shareholder Loan”	the shareholder loan in the principal amount of HK\$10,000,000 made by Lee’s International to COF under the shareholder loan agreement dated 13 June 2016, details of which are set out in the announcements made by the Company on 13 June 2016
“First Shareholder Loan Agreement”	the shareholder loan agreement dated 13 June 2016 entered into between Lee’s International and COF in respect of the First Shareholder Loan
“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
“Perfect Concept”	Perfect Concept Holdings Limited, a limited company incorporated under the laws of the Hong Kong, which is owned as to 90% by Ms. Leelalertsuphakun Wanee, Ms. Lee Siu Fong and Dr. Li Xiaoyi who are Directors and a substantial shareholder of the Company
“PRC”	the People’s Republic of China
“Repayment Date”	14 June 2018, or if COF elects to make early repayment, the date as specified in the Written Notice

“Second Shareholder Loan”	the shareholder loan in the principal amount of HK\$10,000,000 made by Lee’s International to COF under the shareholder loan agreement dated 25 April 2017, details of which are set out in the announcement made by the Company on 25 April 2017
“Second Shareholder Loan Agreement”	the shareholder loan agreement dated 25 April 2017 entered into between Lee’s International and COF in respect of the 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
“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 13 June 2017 entered into between Lee’s International and COF in related to the Extended First Shareholder Loan
“Written Notice”	the 7-day written notice served by COF in accordance with the terms of the Supplemental Agreement, which sets out COF’s intention to make early repayment on the Shareholder Loan, together with interest accrued thereon
“%”	per cent

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

Hong Kong, 13 June 2017

As at the date of this announcement, Ms. Lee Siu Fong (Chairman), Ms. Leelalertsuphakun Wanee and Dr. Li Xiaoyi are executive directors of the Company, Dr. Marco Maria Brughera is a non-executive director of the Company, Dr. Chan Yau Ching, Bob, Mr. Lam Yat Cheong and Dr. Tsim Wah Keung, Karl are independent non-executive directors of the Company.