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李 氏 大 藥 廠

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

PROVISION OF FINANCIAL ASSISTANCE

On 29 December 2017, Zhaoke Pharmaceutical, a wholly-owned subsidiary of the Company, and Zhaoke Oncology entered into the Sale and Purchase Agreement pursuant to which Zhaoke Pharmaceutical agreed to sell, and Zhaoke Oncology agreed to purchase, the entire equity interests of Zhaoke Guangzhou.

Prior to the Disposal, Zhaoke Pharmaceutical GZ, a wholly-owned subsidiary of the Company, and Zhaoke Guangzhou entered into the Loan Agreement, pursuant to which Zhaoke Pharmaceutical GZ agreed to advance the Loan in the principal amount of RMB1.3 million to Zhaoke Guangzhou at an interest rate of 5% per annum. The Term shall be one year commencing from the Advance Date. The Loan Agreement is expected to remain in effect after Completion. Upon Completion, the Loan will constitute financial assistance provided by the Group to Zhaoke Guangzhou, which will become a wholly-owned subsidiary of Zhaoke Oncology, the entire issued shares of which are held by COF, a connected person of the Company.

LISTING RULES IMPLICATIONS

As at the date of the this announcement, Ms. Leelalertsuphakun Wanee, Ms. Lee Siu Fong and Dr. Li Xiaoyi are the Directors and substantial Shareholders who are connected persons of the Company. Ms. Leelalertsuphakun Wanee, Ms. Lee Siu Fong and Dr. Li Xiaoyi hold a total of 90% equity interest in PCH and therefore, PCH is an associate of Ms. Leelalertsuphakun Wanee, Ms. Lee Siu Fong and Dr. Li Xiaoyi, and is a connected person of the Company.

* *For identification purpose only*

As at the date of this announcement, COF is a non-wholly owned subsidiary of the Company which was owned as to 65% by Lee's International (a wholly-owned subsidiary of the Company) and 35% by PCH, which is a connected person of the Company. As PCH exercises and controls 10% or more of the voting power of COF, COF is a connected subsidiary of the Company under the Listing Rules. Accordingly, upon Completion, the Loan advanced by Zhaoke Pharmaceutical GZ to Zhaoke Guangzhou, a wholly-owned subsidiary of COF, will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

The applicable percentage ratios for the Loan, in aggregate with the Previous Loans, advanced by the Group to the COF Group does not exceed 5% and therefore, in accordance with Rule 14A.76(2) of the Listing Rules, the Loan and Previous Loans are only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

Reference is made to the announcements of the Company dated 13 June 2016, 25 April 2017, 26 April 2017 and 13 June 2017 in relation to the Previous Loans.

PROVISION OF FINANCIAL ASSISTANCE

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Details of the Loan Agreement are as follows:

LOAN AGREEMENT

Date

6 December 2017

Parties

- (1) Zhaoke Pharmaceutical GZ, a wholly-owned subsidiary of the Company, as lender;
and
- (2) Zhaoke Guangzhou, as borrower.

Subject Matter

Zhaoke Pharmaceutical GZ and Zhaoke Guangzhou entered into the Loan Agreement, pursuant to which Zhaoke Pharmaceutical GZ agreed to advance the Loan in the principal amount of RMB1.3 million to Zhaoke Guangzhou at an interest rate of 5% per annum.

Principal amount of the Loan

RMB1.3 million

Interest rate

The rate of interest applicable to the Loan shall be 5% per annum, which is determined with reference to the prevailing interest rate in the market.

Drawdown

The Loan shall be drawn on the Advance Date.

Term

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

Repayment schedule

Zhaoke Guangzhou shall repay the Loan on the Repayment Date and shall have the right to make early repayment of the Loan.

INFORMATION OF THE GROUP, ZHAOKE PHARMACEUTICAL GZ AND ZHAOKE GUANGZHOU

The principal activities of the Group are the development of, manufacturing of and sales and marketing of pharmaceutical products.

Zhaoke Pharmaceutical GZ is a wholly-owned subsidiary of the Company and is principally engaged in trading of pharmaceutical products.

Prior to Completion, Zhaoke Guangzhou is a wholly-owned subsidiary of the Company. Upon Completion, Zhaoke Guangzhou will become a non-wholly owned subsidiary of the Company and will become a wholly-owned subsidiary of COF, which is a connected person of the Company. Zhaoke Guangzhou is principally engaged in development of pharmaceutical products.

REASONS FOR AND BENEFITS OF THE LOAN AGREEMENT

Upon Completion, Zhaoke Guangzhou will become a wholly owned subsidiary of COF, the development arm of oncology products of the Group. The intended use of the Loan and Previous Loans by COF Group 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 Zhaoke Pharmaceutical GZ for the benefit of Zhaoke Guangzhou will in turn benefit the Group. Therefore, after arm's length negotiation between Zhaoke Guangzhou and Zhaoke Pharmaceutical GZ (which is a fellow subsidiary of Zhaoke Guangzhou), Zhaoke Pharmaceutical GZ agrees to enter into the Loan Agreement at a market interest rate to Zhaoke Guangzhou. Accordingly, on 29 December 2017, Zhaoke Pharmaceutical GZ and Zhaoke Guangzhou entered into the Loan Agreement on the terms set out above. The Loan was generated from the internal resources of the Group.

The Directors (including the independent non-executive Directors) considered that the Loan Agreement, which has been entered into after arm's length negotiation between Zhaoke Pharmaceutical GZ and Zhaoke Guangzhou, 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, are indirectly (through PCH, COF and Zhaoke Oncology) interested in the equity interests of Zhaoke Guangzhou upon Completion. 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 Loan Agreement and are required to abstain, and have abstained, from voting on the relevant Board resolutions to approve the Loan Agreement. Save for the above, no Director has a material interest in the transactions contemplated under the Loan Agreement and none of them is required to abstain or has abstained from, voting on the relevant Board resolutions to approve the Loan Agreement.

LISTING RULES IMPLICATIONS

As at the date of the this announcement, Ms. Leelalertsuphakun Wanee, Ms. Lee Siu Fong and Dr. Li Xiaoyi are the Directors and substantial Shareholders who are connected persons of the Company. Ms. Leelalertsuphakun Wanee, Ms. Lee Siu Fong and Dr. Li Xiaoyi hold a total of 90% equity interest in PCH and therefore, PCH is an associate of Ms. Leelalertsuphakun Wanee, Ms. Lee Siu Fong and Dr. Li Xiaoyi, and is a connected person of the Company.

As at the date of this announcement, COF is a non-wholly owned subsidiary of the Company which was owned as to 65% by Lee’s International (a wholly-owned subsidiary of the Company) and 35% by PCH, which is a connected person of the Company. As PCH exercises and controls 10% or more of the voting power of COF, COF is a connected subsidiary of the Company under the Listing Rules. Accordingly, upon Completion, the Loan advanced by Zhaoke Pharmaceutical GZ to Zhaoke Guangzhou, a wholly-owned subsidiary of COF, will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

The applicable percentage ratios for the Loan, in aggregate with the Previous Loans, advanced by the Group to the COF Group does not exceed 5% and therefore, in accordance with Rule 14A.76(2) of the Listing Rules, the Loan and Previous Loans are only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions have the following meanings:

“Advance Date”	6 December 2017
“Board”	the 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
“COF Group”	COF and its subsidiaries
“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
“Completion”	completion of the Disposal
“connected person(s)”	has the meaning as ascribed under the Listing Rules
“Director(s)”	director(s) of the Company
“Disposal”	sale of the entire equity interests in Zhaoke Guangzhou by Zhaoke Pharmaceutical to Zhaoke Oncology

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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
“Loan”	the loan in the principal amount of RMB1.3 million made by Zhaoke Pharmaceutical GZ to Zhaoke Guangzhou under the Loan Agreement
“Loan Agreement”	the loan agreement dated 6 December 2017 entered into between Zhaoke Pharmaceutical GZ and Zhaoke Guangzhou
“percentage ratios”	Has the meaning as ascribed under the Listing Rules
“Previous Loans”	the loan in the principal amount of HK\$10 million made by Lee’s International to COF under the loan agreement dated 13 June 2016 (as amended by the supplemental agreement dated 13 June 2017) entered into between Lee’s International and COF and the loan in the principal amount of HK\$10 million made by Lee’s International to COF under the loan agreement dated 25 April 2017
“PCH”	Perfect Concept Holdings Limited, a company incorporated under the laws of Hong Kong, which is owned as to 90% by Ms. Leelalertsuphakun Wanee, Ms. Lee Siu Fong and Dr. Li Xiaoyi who are Directors and substantial Shareholders
“PRC”	the People’s Republic of China
“Repayment Date”	5 December 2018
“RMB”	Renminbi, the lawful currency of the PRC

“Sale and Purchase Agreement”	the agreement dated 29 December 2017 entered into between Zhaoke Pharmaceutical and Zhaoke Oncology in relation to the Disposal
“Shareholders”	holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Term”	the term of the Loan, which is one year commencing from the Advance Date
“Zhaoke Guangzhou”	Zhaoke (Guangzhou) Oncology Pharmaceutical Limited, a company incorporated in the PRC
“Zhaoke Oncology”	Zhaoke (Hong Kong) Oncology Pharmaceutical Limited, a company incorporated in Hong Kong, and a wholly owned subsidiary of COF
“Zhaoke Pharmaceutical”	Zhaoke Pharmaceutical (HK) Limited, a company incorporated in Hong Kong, and a wholly owned subsidiary of the Company
“Zhaoke Pharmaceutical GZ”	Zhaoke Pharmaceutical (Guangzhou) Limited, a company incorporated in the PRC, and a wholly owned subsidiary of the Company
“%”	per cent

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

Hong Kong, 29 December 2017

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.