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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

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On 24 April 2018, Lee's International, a wholly owned subsidiary of the Company, and COF entered into the Supplemental Agreement, pursuant to which Lee's International and COF agree that (1) the Shareholder Loan in the principal amount of HK\$10,000,000 under the Loan Agreement shall be extended for a further one year term to 23 April 2019; and (2) Lee's International shall on 24 April 2018 advance to COF an additional loan in the principal amount of HK\$2,000,000 which shall mature on 23 April 2019.

LISTING RULES IMPLICATIONS

As at the date of 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, the Extended Shareholder Loan advanced by Lee's International to COF will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

The highest applicable percentage ratio for the provision of the Extended Shareholder Loan by Lee's International and the Previous Financial Assistance made by the Company (through its subsidiaries), 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 the Extended Shareholder Loan by Lee's International 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.

Reference is made to the announcements of the Company dated 13 June 2016, 25 April 2017, 26 April 2017, 13 June 2017 and 29 December 2017 in relation to the Previous Financial Assistance.

SUPPLEMENTAL AGREEMENT

Pursuant to the Loan Agreement, the principal amount of the Shareholder Loan shall be HK\$10,000,000 which shall mature on 24 April 2018.

On 24 April 2018, Lee's International, a wholly owned subsidiary of the Company, and COF entered into the Supplemental Agreement, pursuant to which Lee's International and COF agree that (1) the Shareholder Loan in the principal amount of HK\$10,000,000 under the Loan Agreement shall be extended for a further one year term to 23 April 2019; and (2) Lee's International shall on 24 April 2018 advance to COF an additional loan in the principal amount of HK\$2,000,000 which shall mature on 23 April 2019.

Details of the Supplemental Agreement are as follows:

SUPPLEMENTAL AGREEMENT

Date

24 April 2018

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 agree that (1) the Shareholder Loan in the principal amount of HK\$10,000,000 under the Loan Agreement shall be extended for a further one year term to 23 April 2019; and (2) Lee's International shall on 24 April 2018 advance to COF an additional loan in the principal amount of HK\$2,000,000 which shall mature on 23 April 2019.

Principal amount of the Extended Shareholder Loan

HK\$12,000,000

Interest rate

During the Extended Term, the rate of interest applicable to the Extended Shareholder Loan shall be 4% per annum, which is determined with reference to the prevailing interest rate in the market.

Interest on the Extended Shareholder Loan accrued and calculated for the period commencing on 24 April 2018 up to (but excluding) the Repayment Date shall be payable on the Repayment Date.

Term

Subject to early repayment as provided in the Supplemental Agreement, the term of the Extended Shareholder Loan shall be from 24 April 2018 and expiring on 23 April 2019.

Repayment schedule

COF shall repay the Extended Shareholder Loan together with all interests accrued, on the expiry date of the Extended Term.

COF shall have the right to make early repayment on the Extended Shareholder Loan, together with the interests accrued, at any time during the Extended Term by giving 7 days' written notice to Lee's International, and repayment shall then be made on this earlier date as specified in such written notice.

REASONS FOR AND BENEFITS OF THE EXTENDED SHAREHOLDER LOAN

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 Extended Shareholder Loan will be the general working capital of COF 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 (which is a shareholder of COF), Lee's International agrees to extend the term of the Shareholder Loan at a market interest rate to COF and advance an additional shareholder loan in the principal amount of HK\$2,000,000 to COF for the Extended Term. Accordingly, on 24 April 2018, 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 Less'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, are indirectly (through PCH) 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.

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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, the Extended Shareholder Loan advanced by Lee's International to COF will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

The highest applicable percentage ratio for the provision of the Extended Shareholder Loan by Lee's International and the Previous Financial Assistance made by the Company (through its subsidiaries), 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 the Extended Shareholder Loan by Lee's International 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, unless the context requires otherwise, the following expressions have the following meanings:

“Board”	the board of Directors
“COF”	China Oncology Focus Limited, a company incorporated in the British Virgin Islands
“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(s)”	has the meaning as ascribed under the Listing Rules
“Director(s)”	director(s) of the Company
“Extended Shareholder Loan”	the shareholder loan in the aggregate amount of HK\$12,000,000 advanced by Lee’s International to COF under the Supplemental Agreement which comprises of (a) the original principal amount of the Shareholder Loan in the sum of HK\$10,000,000 as extended for a further one year term to 23 April 2019; and (b) an additional loan in the principal amount of HK\$2,000,000 advanced to COF on 24 April 2018
“Extended Term”	the term of the Extended Shareholder Loan, which shall be from 24 April 2018 and expiring on 23 April 2019
“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 incorporated in the British Virgin Islands

“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreement”	the shareholder loan agreement dated 25 April 2017 entered into between Lee’s International and COF, details of which are set out in the announcement of the Company dated 25 April 2017
“percentage ratios”	has the meaning as ascribed under the Listing Rules
“Previous Financial Assistance”	the shareholder loan in the principal amount of HK\$10,000,000 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 RMB1,300,000 made by Zhaoke Pharmaceutical (Guangzhou) Limited, a wholly-owned subsidiary of the Company, to Zhaoke (Guangzhou) Oncology Pharmaceutical Limited, an indirect wholly-owned subsidiary of COF, under the loan agreement dated 6 December 2017
“PCH”	Perfect Concept Holdings Limited, a company incorporated in Hong Kong
“PRC”	the People’s Republic of China
“Repayment Date”	the date on which the Extended Shareholder Loan is repaid in accordance with the terms of the Supplemental Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	holder(s) of the shares of the Company
“Shareholder Loan”	the shareholder loan in the principal amount of HK\$10,000,000 advanced by Lee’s International to COF under the Loan Agreement

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement dated 24 April 2018 entered into between Lee’s International and COF in respect of the Extended Shareholder Loan
“%”	per cent

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

Hong Kong, 24 April 2018

* *For identification purpose only*

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 of the Company.