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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 SUBSCRIPTION FOR SHARES IN A CONNECTED SUBSIDIARY

CONNECTED TRANSACTION

On 13 February 2020, each of LPI (a wholly-owned subsidiary of the Company) and PCH subscribed for 34,580 and 18,620 shares of COF at the consideration of US\$7,434,700 and US\$4,003,300 respectively. Upon completion of the Subscriptions, the entire issued shares of COF were held by LPI and PCH as to 65% and 35% respectively.

LISTING RULES IMPLICATIONS

PCH Subscription

As at the date of the Subscriptions, Ms. Leelalertsuphakun Wanee, Ms. Lee Siu Fong and Dr. Li Xiaoyi were the Directors and substantial Shareholders who were connected persons of the Company. Ms. Leelalertsuphakun Wanee, Ms. Lee Siu Fong and Dr. Li Xiaoyi altogether held a total of approximately 62.85% of the issued ordinary and preferred shares in PCH and therefore, PCH was an associate of Ms. Leelalertsuphakun Wanee, Ms. Lee Siu Fong and Dr. Li Xiaoyi, and was a connected person of the Company.

As PCH is a connected person of the Company, the PCH Subscription constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. However, such a subscription was fully exempt from reporting, announcement and independent shareholders' approval requirements under Rule 14A.92(1) of the Listing Rules because the number of shares of COF subscribed for by PCH in the PCH Subscription was done on a pro-rata basis as per the shareholding proportion of COF.

* For identification purpose only

LPI Subscription

As at the date of the Subscriptions, COF was a non-wholly owned subsidiary of the Company which was owned as to 65% by LPI 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 LPI Subscription constituted a connected transaction of the Company under Chapter 14A of the Listing Rules, which shall be subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules as the relevant percentage ratios for the LPI Subscription exceeded 0.1% but was less than 5%.

CONNECTED TRANSACTION

Reference is made to the announcements of the Company dated 3 January 2018, 14 March 2018 and 22 October 2018 in relation to the Previous LPI Subscriptions.

On 13 February 2020, each of LPI (a wholly-owned subsidiary of the Company) and PCH subscribed for 34,580 and 18,620 shares of COF at the consideration of US\$7,434,700 and US\$4,003,300 respectively. Upon completion of the Subscriptions, the entire issued shares of COF held by LPI and PCH remain unchanged as to 65% and 35% respectively.

The consideration for each of the LPI Subscription and PCH Subscription was determined with reference to the potential investments, the working capital needs and business valuation of COF and the proportion of the respective shareholding of LPI and PCH in COF. The consideration for each of the LPI Subscription and PCH Subscription was paid in cash.

INFORMATION ON THE GROUP, LPI, PCH AND COF

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

LPI is a wholly-owned subsidiary of the Company and is an investment holding company.

PCH is principally engaged in investment holding. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the shareholding structure of PCH is as follows:

Shareholders of PCH	Shareholding	Remark
Dr. Li Xiaoyi	43.91%	Dr. Li Xiaoyi is an executive Director.
Southern Creation Limited	15.15%	Southern Creation Limited, a company incorporated on 7 September 2015 under the laws of the British Virgin Islands and a special purpose vehicle managed and controlled by Shanghai Kuokun Asset Management Limited (“ Shanghai Kuokun ”). The Directors were informed by Southern Creation Limited that the shareholdings of each of Shanghai Kuokun's investors is less than 10%.
GL Instrument Investment L.P.	15.15%	GL Instrument Investment L.P. is a fund (the “ Fund ”) managed by its general partner, namely GL Capital Management GP II B.C. 4 Limited, and the Fund is owned as to 69% by Assicurazioni Generali, S.p.A., a company with its shares listed on the Milan Stock Exchange, and 17% by BOC Hong Kong (Holdings) Limited, a company with its shares listed on the Stock Exchange. The Directors do not have information or knowledge on the ultimate beneficial owners of Assicurazioni Generali, S.p.A. and BOC Hong Kong (Holdings) Limited.
Ms. Leelalertsuphakun Wanee	7.96%	Ms. Leelalertsuphakun Wanee is an executive Director.
Ms. Lee Siu Fong	7.95%	Ms. Lee Siu Fong is an executive Director.
Swift Focus Limited	3.03%	Swift Focus Limited is wholly owned by Dr. Li Xiaoyi, who is an executive Director.
Other investors	6.85%	The shareholdings of each of the other investors is less than 10%.
Total	100.00%	

The entire issued shares of COF is held as to 65% by LPI and 35% by PCH. COF is principally engaged in development of oncology pharmaceutical products.

According to the management accounts of COF as at 31 December 2019, the unaudited net liabilities of COF was approximately HK\$71,241,052.

The audited net loss before taxation and extraordinary items and net loss after taxation and extraordinary items of COF for the two financial years immediately preceding the LPI Subscription were as follows:

	Year ended 31 December 2017 HK\$	Year ended 31 December 2018 HK\$
Net loss before taxation and extraordinary items	(6,621,340)	(81,408,424)
Net loss after taxation and extraordinary items	(6,621,340)	(80,952,895)

REASONS FOR AND BENEFITS DERIVED FROM THE LPI SUBSCRIPTION

The Board considers that the LPI Subscription will strengthen COF's financial standing and capabilities to promote its principal business.

The Directors (including the independent non-executive Directors) consider the terms of the LPI Subscription are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and are in the interest of the Group and the Shareholders as a whole.

Ms. Leelalertsuphakun Wanee, Ms. Lee Siu Fong and Dr. Li Xiaoyi, being executive Directors and substantial Shareholders, are interested in the issued share capital of PCH, and in view of such interests, they are considered to have an interest in the transactions contemplated under the LPI Subscription, and are required to abstain or have abstained from, voting on the relevant Board resolutions to approve the LPI Subscription. Save for the above, no Director has a material interest in the transactions contemplated under the LPI Subscription, and none of them is required to abstain or has abstained from, voting on the relevant Board resolutions to approve the LPI Subscription.

LISTING RULES IMPLICATIONS

PCH Subscription

As at the date of the Subscriptions, Ms. Leelalertsuphakun Wanee, Ms. Lee Siu Fong and Dr. Li Xiaoyi were the Directors and substantial Shareholders who were connected persons of the Company. Ms. Leelalertsuphakun Wanee, Ms. Lee Siu Fong and Dr. Li Xiaoyi altogether held a total of approximately 62.85% of the issued ordinary and preferred shares in PCH and therefore, PCH was an associate of Ms. Leelalertsuphakun Wanee, Ms. Lee Siu Fong and Dr. Li Xiaoyi, and was a connected person of the Company.

As PCH is a connected person of the Company, the PCH Subscription constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. However, such a subscription was fully exempt from reporting, announcement and independent shareholders' approval requirements under Rule 14A.92(1) of the Listing Rules because the number of shares of COF subscribed for by PCH in the PCH Subscription was done on a pro-rata basis as per the shareholding proportion of COF.

LPI Subscription

As at the date of the Subscriptions, COF was a non-wholly owned subsidiary of the Company which was owned as to 65% by LPI 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 LPI Subscription constituted a connected transaction of the Company under Chapter 14A of the Listing Rules, which shall be subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules as the relevant percentage ratios for the LPI Subscription exceeded 0.1% but was less than 5%.

DEFINITIONS

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

“Board”	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
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of PRC
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“LPI”	Lee’s Pharmaceutical International Ltd, a company incorporated under the laws of the British Virgin Islands
“LPI Subscription”	the subscription of 34,580 shares of COF by LPI on 13 February 2020

“PCH”	Perfect Concept Holdings Ltd, a company incorporated under the laws of Hong Kong
“PCH Subscription”	the subscription of 18,620 shares of COF by PCH on 13 February 2020
“percentage ratios”	has the meaning as ascribed under the Listing Rules
“PRC”	People’s Republic of China
“Previous LPI Subscriptions”	the subscriptions of shares of COF by LPI as set out in the announcements of the Company dated 3 January 2018, 14 March 2018 and 22 October 2018
“Shareholders”	holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriptions”	the LPI Subscription and the PCH Subscription
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

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

Hong Kong, 13 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.