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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

CONNECTED TRANSACTION

On 28 April 2021, Lee's International, a wholly owned subsidiary of the Company, and PPI entered into the Shareholder Loan Agreement, pursuant to which Lee's International agrees to advance the Shareholder Loan in the principal amount of HK\$10,000,000 to PPI at an interest rate of 4% per annum. The term of the Shareholder Loan shall be one year commencing from the Advance Date.

LISTING RULES IMPLICATIONS

GL Partners is a substantial shareholder of the Company and therefore, a connected person of the Company under the Listing Rules as at the date of this announcement.

At the same time, Lee's International and GL Partners are both shareholders of PPI, while GL Partners, being a connected person of the Company, is entitled to exercise or control the exercise of 10% or more of the voting power at any general meeting of PPI. Therefore PPI is a commonly held entity falling within the meaning of Rule 14A.27 of the Listing Rules. Therefore, the Shareholder Loan made by Lee's International to PPI under the Shareholder Loan Agreement constitutes a connected transaction of the Company pursuant to Rule 14A.26 of the Listing Rules.

The highest applicable percentage ratio under the Listing Rules for the provision of the Shareholder Loan by Lee's International and Previous Financial Assistance made by the Company (by itself or through Lee's International), 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 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.

* For identification purpose only

SHAREHOLDER LOAN AGREEMENT

Date

28 April 2021

Parties

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

PPI is a commonly held entity falling within the meaning of Rule 14A.27 of the Listing Rules.

Subject matter

Pursuant to the Shareholder Loan Agreement, Lee's International agrees to advance the Shareholder Loan in the principal amount of HK\$10,000,000 to PPI at an interest rate of 4% per annum. The term of the Shareholder Loan shall be one year commencing from the Advance Date.

Principal amount of the Shareholder Loan

HK\$10,000,000

Interest rate

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

Interest shall be accrued and calculated for the period commencing from the Advance Date up to (but excluding) the Repayment Date.

Drawdown

The Shareholder Loan shall be drawn on the Advance Date by serving not less than two business days' prior written notice by PPI to Lee's International.

Term

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

Repayment schedule

PPI shall repay the Shareholder Loan together with the interest accrued on the Repayment Date.

PPI shall have the right to make early repayment of the Shareholder Loan, together with the interest accrued at any time during the Term by giving the Written Notice to Lee's International. PPI shall specify in the Written Notice the date when the early repayment of the Shareholder Loan shall be made.

REASONS FOR AND BENEFITS OF THE SHAREHOLDER LOAN

PPI is in the course of expanding its business operation in producing, developing and in promoting the sale of medical devices. In addition, PPI has also utilised its dust-free cleanroom for anti-epidemic mask production in order to supply face masks for Hong Kong market. As a result, PPI would need additional financial resources to support the operation thereof and to achieve that target. Therefore, after arm's length negotiation between PPI and Lee's International (being a shareholder of PPI), Lee's International agrees to further advance the Shareholder Loan at a market interest rate to PPI. The Shareholder Loan would be utilised for PPI's general working capital and the provision of financial assistance will provide more financial resources to PPI and be beneficial to both PPI and the Company.

The Directors (including the independent non-executive Directors) considered that the terms of the Shareholder Loan Agreement, which has been entered into after arm's length negotiation between Lee's International and PPI, 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.

Dr. Li Xiaoyi, an executive Director and a substantial shareholder of the Company, is directly and indirectly (through Swift Power) interested in the issued share capital of PPI, and in view of such interests, he is considered to have an interest in the transactions contemplated under the Shareholder Loan Agreement, and is required to abstain, or has abstained, from voting on the relevant Board resolutions to approve the Shareholder Loan Agreement. Save for the above, no Director has a material interest in the transactions contemplated under the Shareholder Loan Agreement, and none of them is required to abstain or has abstained from voting on the relevant Board resolutions to approve the Shareholder Loan Agreement.

INFORMATION OF PPI

PPI was incorporated in the British Virgin Islands on 6 August 2009, and is currently carrying on the business of, *inter alia*, producing, developing and sale of Zingo and the platform together with the accompanying powder intra-dermal injection system, and other medical devices such as the developing of continuous glucose monitoring system. It has also engaged in the manufacturing and sales of face masks. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the shareholding structure of PPI is as follows:

Shareholders of PPI	Shareholding	Remark
Lee's International	33.92%	Lee's International is a wholly owned subsidiary of the Company.
DF Pharma Investment Limited	20.12%	DF Pharma Investment Limited is wholly owned by a fund (the "Fund") managed by its general partner, namely GL Partners Capital Management Limited, and the Fund is owned as to 98% by Assicurazioni Generali, S.p.A., a company with its shares listed in Milan Stock Exchange.
Minter Chemical Limited	11.47%	Minter Chemical Limited is wholly owned by Mr. Huang Wei, who is, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, a third party independent of the Company and its connected persons.
Swift Power Investments Limited	8.15%	Swift Power Investments Limited is wholly owned by Dr. Li Xiaoyi, who is an executive director of the Company.
Dr. Li Xiaoyi	0.69%	Dr. Li Xiaoyi is an executive director of the Company.
Other investors	25.65%	The shareholdings of each of the other investors is less than 10%.
Total	<u>100.00%</u>	

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

GL Partners is a substantial shareholder of the Company and therefore, a connected person of the Company under the Listing Rules as at the date of this announcement.

At the same time, Lee's International and GL Partners are both shareholders of PPI, while GL Partners, being a connected person of the Company, is entitled to exercise or control the exercise of 10% or more of the voting power at any general meeting of PPI. Therefore PPI is a commonly held entity falling within the meaning of Rule 14A.27 of the Listing Rules. Therefore, the Shareholder Loan made by Lee's International to PPI under the Shareholder Loan Agreement constitutes a connected transaction of the Company pursuant to Rule 14A.26 of the Listing Rules.

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

“Advance Date”	the date when the Shareholder Loan is drawn down by PPI within the Availability Period
“Availability Period”	a period of one month commencing from the date of the Shareholder Loan Agreement
“Board”	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
“connected transaction”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“GL Partners”	GL Partners Capital Management Limited
“Group”	the Company and its subsidiaries
“Guarantee”	the guarantee (with the guaranteed amount of HK\$53,000,000) given by the Company in favour of Nanyang Commercial Bank, Limited in respect of the revolving loan facility of up to HK\$13,000,000, the demand loan facility of up to HK\$40,000,000 and overdraft facility of up to HK\$6,000,000 pursuant to the terms of the facility letter issued by Nanyang Commercial Bank, Limited to PPI dated 24 January 2020, which was agreed and accepted by PPI (as borrower) and the Company (as guarantor) on 11 February 2020 (as supplemented by a letter from the Bank dated 15 October 2020 and agreed and accepted by PPI on 30 October 2020), provided that the total outstanding balance of the overdraft facility and revolving loan facility shall not at any time exceed HK\$13,000,000
“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

“PPI”	Powder Pharmaceuticals Incorporated, a company with limited liability and incorporated under the laws of the British Virgin Islands
“PRC”	People’s Republic of China and for the purpose of this announcement shall not include Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Previous Financial Assistance”	the provision of the Previous Shareholder Loans by Lee’s International to PPI and the provision of the Guarantee by the Company
“Previous Shareholder Loans”	<p>the existing shareholder loans provided by Lee’s International to PPI which comprises of:</p> <ul style="list-style-type: none"> (a) the shareholder loan in the principal amount of HK\$8,000,000 made by Lee’s International to PPI under the shareholder loan agreement dated 24 March 2020 (as supplemented by the supplemental agreement dated 18 November 2020) entered into between Lee’s International and PPI; (b) the shareholder loan in the principal amount of HK\$3,000,000 made by Lee’s International to PPI under the shareholder loan agreement dated 15 June 2018 (as supplemented by the supplemental agreement dated 14 June 2019, 12 June 2020 and 18 November 2020) entered into between Lee’s International and PPI; (c) the shareholder loan in the aggregate principal amount of HK\$39,056,000 made by Lee’s International to PPI under the supplemental agreement dated 17 July 2020 (as supplemented by the supplemental agreement dated 18 November 2020) entered into between Lee’s International and PPI; (d) the shareholder loan in the aggregate principal amount of HK\$18,000,000 made by Lee’s International to PPI under the supplemental agreement dated 25 September 2020 (as supplemented by the supplemental agreement dated 18 November 2020) entered into between Lee’s International and PPI; and

(e) the shareholder loan in the principal amount of HK\$8,000,000 made by Lee’s International to PPI under the shareholder loan agreement dated 18 November 2019 (as supplemented by the supplemental agreement dated 18 November 2020) entered into between Lee’s International and PPI

“Repayment Date”	the expiry date of the Term, or if PPI elects to make early repayment, the date as specified in the Written Notice
“Shareholder Loan”	the shareholder loan in the principal amount of HK\$10,000,000 made by Lee’s International to PPI under the Shareholder Loan Agreement
“Shareholder Loan Agreement”	the shareholder loan agreement dated 28 April 2021 entered into between Lee’s International and PPI
“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
“Swift Power”	Swift Power Investments Limited, a company with limited liability and incorporated under the laws of the British Virgin Islands, and wholly owned by Dr. Li Xiaoyi who is a Director and a substantial shareholder of the Company
“Term”	the term of the Shareholder Loan, which is one year commencing from the Advance Date
“Written Notice”	the 7-day written notice served by PPI in accordance with the terms of the Shareholder Loan Agreement, which sets out PPI’s intention to make early repayment on the Shareholder Loan together with interest accrued thereon

“Zingo” Lidocaine Hydrochloride Monohydrate, a novel pharmaceutical product for pain management which is a combination drug device indicated for use on intact skin to provide local analgesia prior to veni-puncture and intravenous cannulation

“%” per cent

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

Hong Kong, 28 April 2021

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, Mr. Simon Miles Ball 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.