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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

EXTENDED SHAREHOLDER LOAN

On 16 July 2021, 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 the Shareholder Loan (in the principal sum of US\$5,000,000) shall be renewed for an extended term from 17 July 2021 to 16 July 2022.

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 approximately 62.85% of the issued ordinary and preferred shares 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 made by Lee's International to COF under the Supplemental Agreement constitutes connected transaction of the Company under Chapter 14A of the Listing Rules.

* For identification purpose only

The highest applicable percentage ratio under the Listing Rules for the provision of Extended Shareholder Loan 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 Extended Shareholder Loan 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.

EXTENDED SHAREHOLDER LOAN

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Details of the Supplemental Agreement are as follows:

SUPPLEMENTAL AGREEMENT

Date 16 July 2021

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 to renew the Shareholder Loan (in the principal sum of US\$5,000,000) for an extended term from 17 July 2021 to 16 July 2022.

Principal amount of the Extended Shareholder Loan

US\$5,000,000

Interest rate

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 from 17 July 2021 up to (but excluding) the Shareholder Loan Repayment Date shall be payable on the Shareholder Loan Repayment Date.

Extended term

Subject to early repayment as provided in the Supplemental Agreement, the term of the Extended Shareholder Loan shall commence from 17 July 2021 and mature on 16 July 2022.

Repayment schedule

COF shall repay the Extended Shareholder Loan together with all interests accrued, on the maturity 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 Group for the development of new drugs in oncology therapeutic area and the provision of Extended Shareholder Loan will provide more financial resources to COF and be beneficial to both COF and the Company. As such, the Directors (including the independent non-executive Directors) are of the view that the provision of Extended Shareholder Loan 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 Shareholder Loan in the principal amount of US\$5,000,000 at a market interest rate to COF for the Extend Term. Accordingly, on 16 July 2021, Lee's International and COF entered into the Supplemental Agreement on the terms set out above. The Extended Shareholder Loan was generated from the internal resources of the Group.

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 is not in the ordinary and usual course of business of the Group but is 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 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 transaction 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 transaction 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 LEE’S INTERNATIONAL, PCH AND COF

Lee’s International was incorporated in the British Virgin Islands and its principal business activity is investment holding.

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 a non-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. |

| Shareholders of PCH | Shareholding | Remark |
|-----------------------------|---------------------|--|
| 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 a non-executive Director. |
| Other investors | 6.85% | The shareholdings of each of the other investors is less than 10%. |
| Total | <u>100.00%</u> | |

The entire issued shares of COF is held as to 65% by Lee's International and 35% by PCH. COF is principally engaged in development of oncology 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.

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 approximately 62.85% of the issued ordinary and preferred shares 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 made by Lee's International to COF under the Supplemental Agreement constitutes connected transaction of the Company under Chapter 14A of the Listing Rules.

The highest applicable percentage ratio under the Listing Rules for the provision of Extended Shareholder Loan 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 Extended Shareholder Loan 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:

| | |
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| “Board” | the board of Directors |
| “COF” | China Oncology Focus Limited, a company incorporated in the British Virgin Islands |
| “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 |
| “connected person(s)” | has the meaning as ascribed under the Listing Rules |
| “connected transaction” | has the meaning as ascribed under the Listing Rules |
| “Director(s)” | director(s) of the Company |
| “Extended Shareholder Loan” | the Shareholder Loan made by Lee’s International to COF as extended for a further one year term to 16 July 2022 under the Supplemental Agreement |
| “Extended Term” | the term of the Extended Shareholder Loan, which shall commence from 17 July 2021 and mature on 16 July 2022 |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of PRC |
| “Lee’s International” | Lee’s Pharmaceutical International Limited, a company incorporated in the British Virgin Islands |

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|---------------------------------|---|
| “Listing Rules” | Rules Governing the Listing of Securities on the Stock Exchange |
| “PCH” | Perfect Concept Holdings Limited, a company incorporated in Hong Kong |
| “percentage ratios” | has the meaning as ascribed under the Listing Rules |
| “PRC” | the People’s Republic of China |
| “Previous Financial Assistance” | the provision of the Previous Shareholder Loans by Lee’s International to COF |
| “Previous Shareholder Loans” | <p>the existing shareholder loans provided by Lee’s International to COF which comprises of:</p> <ul style="list-style-type: none"> (a) the shareholder loan in the aggregate principal amount of US\$6,000,000 and RMB5,000,000 made by Lee’s International to COF under the shareholder loan agreement dated 1 February 2021 entered into between Lee’s International and COF, details of which are set out in the announcement made by the Company on 1 February 2021; (b) the shareholder loan in the principal amount of US\$2,000,000 made by Lee’s International to COF under the shareholder loan agreement dated 27 March 2020 (as supplemented by the supplemental agreement dated 26 March 2021) entered into between Lee’s International and COF, details of which are set out in the announcement made by the Company on 26 March 2021; and (c) the shareholder loan in the principal amount of US\$3,000,000 made by Lee’s International to COF under the shareholder loan agreement dated 28 May 2021 entered into between Lee’s International and COF, details of which are set out in the announcement made by the Company on 28 May 2021 |
| “RMB” | Renminbi, the lawful currency of the PRC |

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|-----------------------------------|---|
| “Shareholder Loan” | the shareholder loan in the principal amount of US\$5,000,000 made by Lee’s International to COF under the shareholder loan agreement dated 17 July 2020 entered into between Lee’s International and COF, details of which are set out in the announcement made by the Company on 17 July 2020 |
| “Shareholder Loan Repayment Date” | the date on which the Extended Shareholder Loan is repaid in accordance with the terms of the Supplemental Agreement |
| “Shareholders” | holder(s) of the shares of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “subsidiary” or “subsidiaries” | has the meaning as ascribed under the Listing Rules |
| “substantial shareholder” | has the meaning as ascribed under the Listing Rules |
| “Supplemental Agreement” | the supplemental agreement dated 16 July 2021 entered into between Lee’s International and COF in relation to the Extended Shareholder Loan |
| “US\$” | United States dollars, the lawful currency of the United States of America |
| “%” | per cent |

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

Hong Kong, 16 July 2021

As at the date of this announcement, Ms. Lee Siu Fong (Chairman) and Ms. Leelalertsuphakun Wanee are executive Directors, Dr. Li Xiaoyi 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.