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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)

INSIDE INFORMATION LAND RESUMPTION

This announcement is made by Lee's Pharmaceutical Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

BACKGROUND

Reference is made to the notice received by Guangzhou Zhaokang Hospital Company Limited* (廣州兆康醫院有限公司) ("**Guangzhou Zhaokang**"), an indirect wholly-owned subsidiary of the Company, from the Guangzhou Municipal Planning and Natural Resources Bureau* (廣州市計劃和自然資源局) (the "**Guangzhou Planning and Resources Bureau**") dated 23 September 2022 (the "**Government Notice**"). According to the Government Notice, Guangzhou Zhaokang was informed that due to National construction needs, its land use rights to the property located at Huangge Da Dao West, Huangge Town, Nansha District, Guangzhou, the People's Republic of China* (the "**PRC**") (中國廣州市南沙區黃閣鎮黃閣大道西), with a total site area of approximately 36,656 square metres (the "**Land**"), may be subject to resumption by the local government of the Guangzhou Planning and Resources Bureau.

The Company has sought legal advice from its PRC lawyers in relation to the Government Notice and was advised by its PRC lawyers that Guangzhou Zhaokang would be bound to surrender the Land in accordance with the relevant laws and regulations of the PRC and Guangzhou Zhaokang would have no discretion to act in an opposite manner.

RESUMPTION OF LAND

The board (the “**Board**”) of directors (the “**Director(s)**”) of the Company would like to announce that on 27 December 2024, Guangzhou Zhaokang entered into a Compensation Agreement for State-owned Land Use Right Resumption* (收回國有建設用地使用權補償合同) with the Planning and Natural Resources Bureau of Guangzhou Nansha Economic and Technological Development Zone* (廣州南沙經濟技術開發區規劃和自然資源局) (the “**Nansha Development Bureau**”) and the Land Development Centre of Guangzhou Nansha Development Zone* (廣州南沙開發區土地開發中心) (the “**Land Development Centre**”) in respect of resumption (the “**Land Resumption**”) of the land use rights of the Land (the “**Land Resumption Agreement**”). Pursuant to the Land Resumption Agreement, Guangzhou Zhaokang shall surrender the land use rights of the Land to the Land Development Centre.

Details of the Land Resumption

The Land

The Land is located at Huangge Da Dao West, Huangge Town, Nansha District, Guangzhou, the PRC* (中國廣州市南沙區黃閣鎮黃閣大道西). The term of the land use rights to the Land, specifically for medical and sanitary use (醫療衛生用地), is 50 years commencing from 30 October 2015. The Land has a total site area of approximately 36,656 square metres with a total planned gross floor area of approximately 65,981 square metres.

Land Resumption Agreement and Compensation

Pursuant to the Land Resumption Agreement, the total compensation payable to Guangzhou Zhaokang by the Land Development Centre for the Land Resumption is RMB89,200,000 (the “**Compensation**”) of which RMB10,000,000 (the “**First Payment**”) shall be payable by the Land Development Centre before 30 May 2026 to Guangzhou Zhaokang. Upon receipt of the First Payment, Guangzhou Zhaokang shall apply to the Nansha Development Bureau to surrender its land use rights to the Land within 30 days (the “**Surrender**”).

The remaining balance of the Compensation in the sum of RMB79,200,000 (the “**Second Payment**”) shall either be payable:

- (a) (if the Land is subsequently disposed of (the “**Subsequent Disposal**”) by Nansha Development Bureau and Land Development Centre to any third party after the Surrender) in two equal instalments by the Land Development Centre to Guangzhou Zhaokang, of which 50% of the Second Payment in the sum of RMB39,600,000 shall be paid within 120 days after the receipt of the land proceeds received as a result of the Subsequent Disposal; while the other 50% of the Second Payment in the sum of RMB39,600,000 shall be paid within 120 days after the Land is surrendered by Guangzhou Zhaokang to the Land Development Centre in the manner as prescribed under the Land Resumption Agreement;

- (b) (in all other cases) in one instalment by the Land Development Centre to Guangzhou Zhaokang of which 100% of the Second Payment in the sum of RMB79,200,000 shall be paid within 120 days after the Land is surrendered by Guangzhou Zhaokang to the Land Development Centre in the manner as prescribed under the Land Resumption Agreement.

The Land Resumption Agreement has become effective upon the signing by the parties.

Information of the parties to the Land Resumption Agreement

The Company is an investment holding company and the Group is a research-driven and market-oriented biopharmaceutical company focused on the PRC market. Through its operating subsidiaries in the PRC, the Group develops, manufactures and markets proprietary and generic 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-in products from abroad.

Guangzhou Zhaokang is a company incorporated under the PRC laws with limited liability and an indirect wholly-owned subsidiary of the Company. It is an investment holding company and is the owner of the land use rights to the Land.

The Nansha Development Bureau and the Land Development Centre represented the Government of Nansha District of Guangzhou, the PRC (the “**Local Government**”) to undertake the land resumption activities in the Nansha District of Guangzhou within which the Land is located and, for the purpose of the Land Resumption, the Land Development Centre is the transferee of the Land.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Local Government is a governmental authority of the PRC and is a third party independent of and not connected with the Company and its connected persons (as defined in the Listing Rules).

Impact of the Land Resumption

It is not expected to have any impact on the operation of the Group after the Land Resumption as the development on the Land is still under construction and did not generate any income.

According to the latest unaudited financial statements of Guangzhou Zhaokang as at 30 June 2024, the net book value of the assets subject to the Land Resumption was approximately RMB86,900,000 (equivalent to approximately HK\$92,100,000). In view of the Compensation of RMB89,200,000 (equivalent to approximately HK\$94,600,000), taking into account the legal costs and other expenses, the Group expects the estimated impairment of assets before tax from the Land Resumption to be within the range of approximately HK\$6,000,000 to HK\$6,600,000 (the “**Impairment**”). The Impairment does not take into account any corporate income tax and other related tax expenses that may be payable in the PRC. The actual amount of the Impairment to be recorded by the Group is subject to audit, hence, it may differ from the above estimated amount.

TERMINATION OF EQUITY TRANSFER AGREEMENT

Reference is also made to the announcement of the Company dated 22 September 2022 (“**2022 Announcement**”) in relation to the disposal of its equity interest in Guangzhou Zhaokang.

As a result of the Land Resumption, the equity transfer agreement dated 22 September 2022 entered into between Lee’s Pharmaceutical (HK) Limited (李氏大藥廠(香港)有限公司) (an indirect wholly-owned subsidiary of the Company) (as vendor) and Guangzhou Haofeng Operation Management Co., Ltd* (廣州市浩豐運營管理有限公司) (a company incorporated in the PRC with limited liability) (as purchaser) in relation to the disposal of 100% equity interest in Guangzhou Zhaokang has been terminated.

Taking into account the aforesaid, the Board is of the view that the Land Resumption is fair and reasonable in the interests of the Company and its shareholders as a whole and would not have any material adverse effect to the core businesses of the Group.

Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

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

Hong Kong, 30 December 2024

As at the date of this announcement, Ms. Lee Siu Fong (Chairman) and Ms. Leelalertsuphakun Wanee are executive Directors of the Company; Dr. Li Xiaoyi, Mr. James Charles Gale and Mr. Huang Zuie Chin are non-executive Directors of the Company; and Dr. Chan Yau Ching, Bob, Ms. Cheang Yee Wah, Eva and Dr. Tsim Wah Keung, Karl are independent non-executive Directors of the Company.

In this announcement, RMB has been converted to HK\$ at the rate of approximately RMB1 = HK\$1.06 for illustrative purpose only. No representation is made that any amounts in RMB or HK\$ have been, could have been, or could be converted at the above rate or at any other rates or at all.

* For identification purpose only