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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 18 November 2020, Lee's International, a wholly owned subsidiary of the Company, and PPI entered into the Supplemental Agreement, pursuant to which Lee's International and PPI agree that (a) the Maturing Shareholder Loan in the principal amount of HK\$8,000,000 shall be renewed for an extended term from 18 November 2020 to 17 November 2021; and (b) the term of each of the Previous Shareholder Loans be extended to 17 November 2021.

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 Extended Shareholder Loan made by Lee's International to PPI under the Supplemental 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 Maturing 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 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.

* For identification purposes only

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The Supplemental Agreement

Date

18 November 2020

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 Supplemental Agreement, Lee's International and PPI agree to:

- (1) renew the Maturing Shareholder Loan in the principal amount of HK\$8,000,000 for an extended term from 18 November 2020 to 17 November 2021;
- (2) extend the Previous Shareholder Loan A for an extended term from 23 March 2021 to 17 November 2021;
- (3) extend the Previous Shareholder Loan B for an extended term from 13 June 2021 to 17 November 2021;
- (4) extend the Previous Shareholder Loan C for an extended term from 18 July 2021 to 17 November 2021; and
- (5) extend the Previous Shareholder Loan D for an extended term from 26 September 2021 to 17 November 2021.

Principal amount of the Extended Shareholder Loan

HK\$76,056,000

Interest rate

Interest on the Extended Shareholder Loan shall accrue at 4% per annum, which is determined with reference to the prevailing interest rate in the market.

Interest on the Extended Shareholder Loan shall accrue and be calculated for the period commencing from 18 November 2020 up to (but excluding) the Repayment Date.

Extended term

Subject to early repayment as provided under the Supplemental Agreement, the term of the Extended Shareholder Loan shall be commencing from 18 November 2020 and expiring on 17 November 2021.

Repayment schedule

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

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

REASONS FOR AND BENEFITS OF THE EXTENDED 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. To ensure such operations will be backed by ample financial resources, PPI needs the funding as obtained under the Extended Shareholder Loan. Therefore, after arm's length negotiation between PPI and Lee's International (being a shareholder of PPI), Lee's International agrees to advance the Extended Shareholder Loan for an extended term to 17 November 2021 in order to support the sustained development of PPI and to allow PPI a higher degree of flexibility in its cash flow. The Extended 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 Supplemental Agreement and the transactions contemplated thereunder, which have 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 transaction contemplated under the Supplemental Agreement, and is required to abstain, or has 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 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

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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 Extended Shareholder Loan made by Lee's International to PPI under the Supplemental Agreement, constitutes a connected transaction of the Company pursuant to Rule 14A.26 of the Listing Rules.

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DEFINITIONS

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

“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
“Extended Shareholder Loan”	the shareholder loan in the aggregate amount of HK\$76,056,000 to be advanced by Lee’s International to PPI under the Supplemental Agreement which comprises of (a) the original principal amount of the Maturing Shareholder Loan in the sum of HK\$8,000,000 as extended for a further one year term to 17 November 2021; and (b) each of the Previous Shareholder Loans as extended to 17 November 2021
“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
“Maturing Shareholder Loan”	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

“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 Loan 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 entered into between Lee’s International and PPI
“Previous Shareholder Loan 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 agreements dated 14 June 2019 and 12 June 2020) entered into between Lee’s International and PPI
“Previous Shareholder Loan 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 entered into between Lee’s International and PPI
“Previous Shareholder Loan 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 entered into between Lee’s International and PPI
“Previous Shareholder Loans”	the existing shareholder loans provided by Lee’s International to PPI which comprises of the Previous Shareholder Loan A, Previous Shareholder Loan B, Previous Shareholder Loan C and Previous Shareholder Loan D
“Repayment Date”	means 17 November 2021, or if PPI elects to make early repayment, the date as specified in the Written Notice
“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
“Supplemental Agreement”	the supplemental agreement dated 18 November 2020 entered into between Lee’s International and PPI in related to the Extended Shareholder Loan
“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
“Written Notice”	the 7-day written notice served by PPI in accordance with the terms of the Supplemental Agreement, which sets out PPI’s intention to make early repayment on the Extended 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, 18 November 2020

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.