

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

DISCLOSEABLE TRANSACTION DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY

THE DISPOSAL

The Board is pleased to announce that on 22 September 2022 (after trading hours), the Vendor (an indirect wholly-owned subsidiary of the Company) and the Purchaser entered into the Equity Transfer Agreement, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase 100% equity interest in the Target Company at the consideration of RMB200,000,000 (approximately HK\$226,000,000).

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio for the Company in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

THE DISPOSAL

The Board is pleased to announce that on 22 September 2022 (after trading hours), the Vendor (an indirect wholly-owned subsidiary of the Company) and the Purchaser entered into the Equity Transfer Agreement, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase 100% equity interest in the Target Company at the consideration of RMB200,000,000 (approximately HK\$226,000,000).

* For identification purpose only

THE EQUITY TRANSFER AGREEMENT

Date	22 September 2022
Parties	(i) the Vendor, an indirect wholly-owned subsidiary of the Company, as the vendor
	(ii) the Purchaser, as the purchaser

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, the Purchaser and its ultimate beneficial owner are Independent Third Parties.

Subject Matter

The Disposal represents 100% equity interest in the Target Company, which owns the land use right in the Target Land Parcel.

Consideration

The consideration payable by the Purchaser under the Equity Transfer Agreement is RMB200,000,000 (approximately HK\$226,000,000) and shall be paid in cash in the following manner pursuant to the terms and conditions of the Equity Transfer Agreement:

- (a) an initial deposit of RMB20,000,000 (approximately HK\$22,600,000) shall be paid by the Purchaser to the Vendor within 5 days from the date of signing of the Equity Transfer Agreement;
- (b) a further deposit of RMB40,000,000 (approximately HK\$45,200,000), which together with the initial deposit is equivalent to 30% of the consideration, shall be paid by the Purchaser to the Vendor within 7 business days from completion of the due diligence investigation;
- (c) a second further deposit of RMB100,000,000 (approximately HK\$113,000,000), which is equivalent to 50% of the consideration, shall be paid by the Purchaser to the Vendor within 5 business days from obtaining the notice of acceptance for transfer of equity interest issued by the SAIC; and
- (d) the balance of RMB40,000,000 (approximately HK\$45,200,000), which is equivalent to 20% of the consideration, shall be paid by the Purchaser to the Vendor within 7 business days from completion of transfer of equity interest in the Target Company (i.e. the date when the SAIC issues the approval for equity transfer).

The consideration was determined and arrived at after arm's length negotiation between the parties to the Equity Transfer Agreement on normal commercial terms with reference to, among other things, the offer prices of comparable land in nearby locations.

To facilitate the remittance of the consideration to the Vendor's bank account in Hong Kong, the Vendor and the Purchaser will establish a jointly operated escrow account with a licensed bank in the PRC. The Purchaser will assist with the necessary filing, registration and in obtaining the necessary approval requirements with SAFE in order to remit the consideration to the Vendor's bank account in Hong Kong.

Costs and taxes

The consideration payable by the Purchaser under the Equity Transfer Agreement is inclusive of PRC corporate income tax payable by the Vendor, and the Purchaser shall be responsible for the withholding and payment obligations in the PRC. Each of the Vendor and the Purchaser shall pay its own costs and taxes incurred in connection with the Disposal.

Due diligence on the Target Company

Prior to the signing of the Equity Transfer Agreement, the Vendor has performed preliminary due diligence investigation on the Target Company. The Purchaser shall perform an onsite due diligence investigation on the Target Company after the receipt of the initial deposit by the Vendor, which shall be completed within 15 business days. The Purchaser shall issue a notice to continue the transaction within one business day from completion of such due diligence investigation to confirm its knowledge on the status of the Target Company.

Warranties

The Vendor has given customary warranties in relation to the equity interest under the Disposal for agreement of similar nature and size in the Equity Transfer Agreement.

Default and Termination

If the Purchaser terminates the transaction after the notice to continue the transaction has been issued, the deposit(s) paid shall be forfeited by the Vendor. In the event of default on the part of the Purchaser that leads to the Equity Transfer Agreement being terminated or rescinded, the Purchaser shall pay a default penalty equivalent to 10% of the consideration, together with other losses and damages suffered by the Vendor.

In the event of material default on the part of the Vendor that leads to the Purchaser unable to complete the transaction, the deposit(s) received by the Vendor shall be returned to the Purchaser without interest.

Completion

Completion will take place upon completion of the equity transfer procedure with the SAIC. Upon Completion, the Target Company will cease to be a subsidiary of the Company.

INFORMATION ON THE TARGET COMPANY AND THE TARGET LAND PARCEL

The Target Company is a company incorporated under the PRC laws with limited liability and an indirect wholly-owned subsidiary of the Company prior to Completion. The Target Company owns the land use right in the Target Land Parcel.

The Target Land Parcel is located at Huangge Da Dao West, Huangge Zhen, Nansha District, Guangzhou, the PRC. The term of the land use right of the Target Land Parcel, specifically for medical and sanitary use, shall be 50 years commencing from 30 October 2015. The Target Land Parcel has a total site area of approximately 36,656 square metres with a total planned gross floor area of approximately 65,981 square metres. As at the date of this announcement, the Target Company has obtained approval from Guangzhou Land Resources and Planning Commission for the construction of a rehabilitation block, a podium, a training block and a nursing block on the Target Land Parcel and the buildings are currently under construction.

The audited financial information of the Target Company for the years ended 31 December 2020 and 31 December 2021 are as follows:

	For the year ended 31 December	
	2020	2021
Net loss before taxation and extraordinary items	RMB3,078,965	RMB3,715,539
Net loss after taxation and extraordinary items	RMB3,078,965	RMB3,715,539

The audited total asset value and the audited net assets of the Target Company as at 31 December 2021 are RMB123,470,387 (approximately HK\$139,521,537) and RMB103,233,426 (approximately HK\$116,653,771) respectively.

INFORMATION ON THE GROUP AND THE VENDOR

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 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 Vendor is an indirect wholly-owned subsidiary of the Company, which was incorporated in Hong Kong and its principal business activity is investment holding. The Target Company is a direct wholly-owned subsidiary of the Vendor and is the owner of the Target Land Parcel as at the date of this announcement.

INFORMATION ON THE PURCHASER

The Purchaser was incorporated in the PRC and its principal business activities are to develop internet and high-tech professional services. It is ultimately beneficially owned by Lu Junhong.

REASONS FOR THE DISPOSAL

The Directors undertake strategic reviews of the Group's assets from time to time with a view to maximising returns to the Shareholders. The Directors consider that the current market presents a good opportunity for the Company to unlock the value of the Target Company and the Target Land Parcel. Accordingly, the Directors believe that the Disposal will enable the Company to concentrate its financial resources on research and development of pharmaceutical products in medical field and pursue other business opportunities.

The Directors (including the independent non-executive Directors) consider that the Disposal, the terms of the Equity Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL IMPACT ON THE GROUP AND USE OF PROCEEDS

Upon Completion, the Group expects to recognise a gain on Disposal of approximately RMB63,000,000 (approximately HK\$71,190,000) before costs and expenses relating to the Disposal. The actual gain on the Disposal to be recorded by the Company is subject to audit and may be different from the estimated amount.

The proceeds arising from the Disposal are expected to be used as general working capital.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio for the Company in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	the 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
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Equity Transfer Agreement
“connected person(s)”	has the meaning as ascribed under the Listing Rules
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of 100% equity interests in the Target Company by the Vendor pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 22 September 2022 entered into between the Vendor and the Purchaser in relation to the Disposal
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of PRC
“Independent Third Party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s) which, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, are third parties independent of and not connected with the Company and its connected persons
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Purchaser”	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

“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	a local bank duly authorised by the State Administration of Foreign Exchange of the PRC
“SAIC”	the relevant department of the State Administration for Industry and Commerce of the PRC
“Shareholders”	holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Guangzhou Zhaokang Hospital Company Limited* (廣州兆康醫院有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company prior to Completion
“Target Land Parcel”	the land parcel located at Huangge Da Dao West, Huangge Zhen, Nansha District, Guangzhou, the PRC (中國廣州南沙區黃閣鎮黃閣大道西地塊)
“Vendor”	Lee’s Pharmaceutical (HK) Limited (李氏大藥廠(香港)有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent

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

Hong Kong, 22 September 2022

As at the date of this announcement, Ms. Lee Siu Fong (Chairman) and Ms. Leelalertsuphakun Wanee are executive Directors, Dr. Li Xiaoyi and Mr. James Charles Gale are non-executive Directors, Dr. Chan Yau Ching, Bob, Mr. Lam Yat Cheong and Dr. Tsim Wah Keung, Karl are independent non-executive Directors.

In this announcement, RMB has been converted to HK\$ at the rate of approximately RMB1 = HK\$1.13 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.