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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)**

### **PROPOSED SPIN-OFF AND SEPARATE LISTING OF ZHAOKE OPHTHALMOLOGY LIMITED ON THE MAIN BOARD OF THE STOCK EXCHANGE**

#### **THE PROPOSED SPIN-OFF**

This announcement is made by the Board pursuant to Rule 13.09(2)(a) of the Listing Rules, paragraph 3(g) of the PN15 and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

Reference is made to the announcements of the Company dated 9 July 2020, 3 September 2020 and 20 November 2020 regarding the possible spin-off and separate listing of Zhaoke Ophthalmology.

\* For identification purposes only

The Board is pleased to announce that on 18 December 2020, a listing application form (Form A1) was submitted to the Stock Exchange for an application for the listing of, and permission to deal in, the Zhaoke Ordinary Shares on the Main Board of the Stock Exchange by way of Global Offering.

After due and careful consideration of the Proposed Spin-off, and having due regard to the interests of the Shareholders, it is intended that, if the Proposed Spin-off proceeds, an assured entitlement to the Zhaoke Ordinary Shares will be provided to qualifying existing Shareholders by way of a preferential offering of the Zhaoke Ordinary Shares under the Global Offering, subject to certain conditions, including the board of Zhaoke Ophthalmology deciding to proceed with the Proposed Spin-off and the Global Offering, and the Listing Committee has approved the Listing. Details of such assured entitlement have not yet been finalised. The Company will make further announcement(s) in this regard as and when appropriate.

### **LISTING RULES IMPLICATIONS**

Zhaoke Ophthalmology is an associated company of the Company as at the date of this announcement and was a subsidiary of the Company as at the date of submission of the spin-off proposal and during the financial year ended 31 December 2019. Pursuant to PN15, the Stock Exchange will treat an entity as if it were a subsidiary of the issuer if such entity is at the time of submission of the issuer's spin-off proposal, an associated company of the issuer and was, at any time during the latest completed financial year of the issuer (comprising at least 12 months) up to the date of submission of the spin-off proposal, a subsidiary of the issuer.

As one or more of the applicable percentage ratios represented by the Proposed Spin-off is expected to exceed 25% but all of the applicable percentage ratios are less than 75%, the Proposed Spin-off constitutes a major transaction of the Company for the purposes of, and is subject to the announcement, circular and shareholders' approval requirements under the Listing Rules. The Proposed Spin-off will therefore be subject to, among other things, the approval of the Shareholders under paragraph 3(e)(1) of PN15 and Chapter 14 of the Listing Rules. The Company will comply with the requirements under paragraph 3(e)(1) of PN15 and applicable requirements of Chapter 14 of the Listing Rules (including the announcement, circular, appointment of an independent financial adviser and shareholders' approval requirements) as and when necessary.

**Shareholders and potential investors should note that there is no assurance that the approval of the Listing Committee of the Stock Exchange for the Proposed Listing will be granted.**

**The Proposed Listing and the final structure of the Proposed Spin-off are subject to, among other things, the approval of the Shareholders, the approval of the Stock Exchange, the final decisions of the board of directors of Zhaoke Ophthalmology, market conditions and other considerations. Accordingly, Shareholders and potential investors should be aware that there is no assurance that the Proposed Spin-off and the Proposed Listing will take place and, if so, when they may take place. Shareholders and potential investors should exercise caution when dealing in or investing in the securities of the Company.**

## **INTRODUCTION**

This announcement is made by the Board pursuant to Rule 13.09(2)(a) of the Listing Rules, paragraph 3(g) of the PN15 and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

Reference is made to the announcements of the Company dated 9 July 2020, 3 September 2020 and 20 November 2020 regarding the possible spin-off and separate listing of Zhaoke Ophthalmology.

The Board is pleased to announce that on 18 December 2020, a listing application form (Form A1) was submitted to the Stock Exchange for an application for the listing of, and permission to deal in, the Zhaoke Ordinary Shares on the Main Board of the Stock Exchange by way of Global Offering.

## **THE PROPOSED SPIN-OFF**

The Proposed Spin-off involves the spin-off of the Zhaoke Group and separate listing of the Zhaoke Ordinary Shares. As at the date of this announcement, the Company's indirect interest in Zhaoke Ophthalmology (through Lee's International and Lee's Healthcare Fund) is approximately 34.107%. As at the date of this announcement, Zhaoke Ophthalmology is an associated company of the Company.

Upon completion of the Proposed Spin-off, it is expected that the Company will cease to be the controlling shareholder of Zhaoke Ophthalmology but will remain as the single largest shareholder of Zhaoke Ophthalmology. The operating results of Zhaoke Ophthalmology are not and will not be consolidated into the consolidated financial statements of the Company.

Following the Proposed Spin-off, Zhaoke Ophthalmology will cease to be an associated company of the Company. Accordingly, the Group's investment in Zhaoke Ophthalmology will be accounted for as financial asset at fair value through other comprehensive income for financial reporting purposes and any gain or loss on deemed disposal of Zhaoke Ophthalmology will be recognised in the Company's consolidated statement of profit or loss.

Upon completion of the Proposed Spin-off, there will be a clear delineation between the business of Zhaoke Ophthalmology and the Remaining Business in terms of, among others, the nature of business, technical requirements, source of revenue, products offered and target customers.

If the Proposed Spin-off proceeds, the net proceeds from the Proposed Spin-off will be used for the development of the Ophthalmic Business of the Zhaoke Group.

The Proposed Spin-off will be conditional upon, among other things, the followings:

- (1) the approval of the Shareholders;
- (2) the Listing Committee granting the approval for the listing of, and permission to deal in, the Zhaoke Ordinary Shares in issue and any shares which may be issued in relation to the Proposed Spin-off and the Proposed Listing;
- (3) the terms of the Global Offering of Zhaoke Ophthalmology being agreed among the Company, Zhaoke Ophthalmology, the existing shareholders of Zhaoke Ophthalmology, and the underwriters to the Proposed Listing;
- (4) the final decisions of the board of directors of Zhaoke Ophthalmology; and
- (5) the market conditions and other considerations.

If any of these and other applicable conditions is not fulfilled or waived, if applicable, prior to the dates and times to be specified, the Proposed Spin-off will not proceed and an announcement will be published by the Company as soon as practicable thereafter.

#### **ASSURED ENTITLEMENT**

Under paragraph 3(f) of PN15, a listed issuer is required to have due regard to the interests of its existing shareholders by providing them with an assured entitlement to the shares in the entity which is proposed to be spun off for separate listing.

After due and careful consideration of the Proposed Spin-off, and having due regard to the interests of the Shareholders, it is intended that, if the Proposed Spin-off proceeds, an assured entitlement to the Zhaoke Ordinary Shares will be provided to qualifying existing Shareholders by way of a preferential offering of the Zhaoke Ordinary Shares under the Global Offering, subject to certain conditions, including the board of Zhaoke Ophthalmology deciding to proceed with the Proposed Spin-off and the Global Offering, and the Listing Committee has approved the Listing.

Details of such assured entitlement have not yet been finalised. The Company will make further announcement(s) in this regard as and when appropriate.

## INFORMATION OF THE RETAINED GROUP

The Retained 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.

## INFORMATION OF ZHAOKE OPHTHALMOLOGY

Zhaoke Ophthalmology was initially incorporated under the laws of the BVI on 20 January 2017 and registered by way of continuation in the Cayman Islands on 29 April 2020. The Zhaoke Group is currently engaged in the Ophthalmic Business.

As at 31 December 2018 and 31 December 2019, the audited consolidated total assets value of the Zhaoke Group were approximately HK\$189 million (derived from the consolidated audited financial information of the Group for the financial year ended 31 December 2018) and HK\$528 million (extracted from the annual report of the Company for the financial year ended 31 December 2019), respectively.

As at 31 December 2018, the audited total net liabilities of the Zhaoke Group was approximately HK\$5 million (derived from the consolidated audited financial information of the Group for the financial year ended 31 December 2018) and as at 31 December 2019, the audited total net assets of the Zhaoke Group was approximately HK\$414 million (extracted from the annual report of the Company for the financial year ended 31 December 2019).

The audited net losses (both before and after taxation) of the Zhaoke Group for each of the two financial years immediately before the Disposal are as follows:

	<b>For the year ended 31 December 2018 HK\$</b>	<b>For the year ended 31 December 2019 HK\$</b>
Net loss before taxation	6,482,000	25,502,000
Net loss after taxation	6,860,000	31,439,000

The information on audited net losses (both before and after taxation) of the Zhaoke Group for the year ended 31 December 2018 is derived from the consolidated audited financial information of the Group for the financial year ended 31 December 2018.

The information on audited net losses (both before and after taxation) of the Zhaoke Group for the year ended 31 December 2019 is derived from the consolidated audited financial information of the Group for the financial year ended 31 December 2019.

Please refer to the Application Proof for detailed information of the Zhaoke Group including its standalone consolidated audited financial information as set out in Appendix I of the Application Proof.

## **REASONS FOR AND BENEFITS OF THE PROPOSED SPIN-OFF AND THE PROPOSED LISTING**

The Company considers that it is commercially beneficial to the Company and the Zhaoke Group and in the interests of the Shareholders to effect the Proposed Spin-off as the Proposed Spin-off is expected to create greater value for the Company and its Shareholders as a whole and the Zhaoke Group, for the following reasons:

- (1) the Proposed Spin-off will unlock value of the Zhaoke Group which is developing at a fast-growing stage and provide the Company and its Shareholders an opportunity to realise the value of their investment in the Zhaoke Group under a separate standalone platform for the Ophthalmic Business;
- (2) the Proposed Spin-off will separate the Ophthalmic Business from the Remaining Business. Such separation will enable the shareholders and investors to appraise the strategies, success factors, functional exposure, risks and returns of the Zhaoke Group and the Retained Group separately, thereby achieving a clear and fair valuation of both the Retained Group and the Zhaoke Group, so as to allow the investors to make or refine their investment decisions and to assess the future prospects of the two groups more clearly. Through such clear and fair valuation, the Proposed Spin-off will allow investors to assess the future prospects of the Retained Group more clearly, and further allow the Retained Group to attract investors who specifically seek investments in its business. Investors will have the choice to invest in either one or all of the business of either the Zhaoke Group or the Retained Group;
- (3) the Proposed Spin-off will enable the Zhaoke Group to build its identity as a separately listed group, to have a separate fund-raising platform and to broaden its investors base. Given the nature of the Ophthalmic Business, it takes time for the product candidates under development of the Zhaoke Group to complete clinical trials before they are commercialised and start to generate revenue. The Proposed Spin-off would allow the Zhaoke Group to gain direct access to capital markets for equity and/or debt financing to fund its existing operations and future expansion without reliance on the Company, thereby accelerating its expansion and improving its operating and financial management efficiencies, which in turn will provide better returns to the shareholders of the Zhaoke Group;

- (4) the Proposed Spin-off will enable the Zhaoke Group to enhance its corporate profile, thereby increasing its ability to attract investors for making investments in the Zhaoke Group, which could provide synergy for the Zhaoke Group, and the Retained Group will also benefit from such investments without further capital commitment. The Retained Group will also be able to fully focus on and deploy its funds towards the development of the Remaining Business without needing to consider the Zhaoke Group's funding requirements as the Zhaoke Group is currently a pre-profit biotech company and has recorded substantial research and development expenses and cash outflows. Both the Zhaoke Group and the Retained Group will gain exposure to more specialised investors and have better chances to obtain more targeted investments;
- (5) the Proposed Spin-off will increase the operational and financial transparency of and improve the corporate governance of Zhaoke Ophthalmology and provide shareholders and investors with greater clarity on the businesses and financial status of the Zhaoke Group on a standalone basis, and such improvements will help to build investor confidence in forming investment decisions based on their assessment of the performance, management, strategy, risks and returns of the Zhaoke Group;
- (6) the management teams of the Zhaoke Group and the Retained Group may adopt different business strategies and models which they determine to be better suited to their respective businesses, and which, due to the different nature of products, may not always be aligned. The Proposed Spin-off will enable more focused development, strategic planning and better allocation of resources for the Retained Group and the Zhaoke Group with respect to their respective businesses. Both the Retained Group and the Zhaoke Group, especially the latter, will benefit from the efficient decision-making process under a separate management structure to seize emerging business opportunities. In addition, the Proposed Spin-off will improve the ability of the Zhaoke Group to recruit, motivate and retain key management personnel. On the other hand, the management team of the Retained Group will no longer be distracted from businesses other than the Remaining Business, and will thus be able to focus on the operation and development of the Retained Group with a clear delineated business objective and concentrate their expertise, manpower and other corporate resources only on the Retained Group; and
- (7) all benefits enjoyed by the Zhaoke Group through the Proposed Spin-off are expected to accelerate the Zhaoke Group's expansion and improve its overall operating and financial performance, thereby creating greater value for the Company and its Shareholders as a whole. Upon completion of the Proposed Spin-off, the Retained Group will remain as the Zhaoke Group's largest and substantial shareholder, and is therefore expected to continue to enjoy the benefits of the Zhaoke Group's growth and development.

As such, the Board (including the independent non-executive Directors) is of the view that the terms of the Proposed Spin-off are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

Zhaoke Ophthalmology is an associated company of the Company as at the date of this announcement and was a subsidiary of the Company as at the date of submission of the spin-off proposal and during the financial year ended 31 December 2019. Pursuant to PN15, the Stock Exchange will treat an entity as if it were a subsidiary of the issuer if such entity is at the time of submission of the issuer's spin-off proposal, an associated company of the issuer and was, at any time during the latest completed financial year of the issuer (comprising at least 12 months) up to the date of submission of the spin-off proposal, a subsidiary of the issuer.

As one or more of the applicable percentage ratios represented by the Proposed Spin-off is expected to exceed 25% but all of the applicable percentage ratios are less than 75%, the Proposed Spin-off constitutes a major transaction of the Company for the purposes of, and is subject to the announcement, circular and shareholders' approval requirements under the Listing Rules. The Proposed Spin-off will therefore be subject to, among other things, the approval of the Shareholders under paragraph 3(e)(1) of PN15 and Chapter 14 of the Listing Rules. The Company will comply with the requirements under paragraph 3(e)(1) of PN15 and applicable requirements of Chapter 14 of the Listing Rules (including the announcement, circular, appointment of an independent financial adviser and shareholders' approval requirements) as and when necessary.

### **The EGM**

The Proposed Spin-off is subject to, among other things, the approval of the Shareholders, the Company will seek approval from the Shareholders at the EGM of, among other things, the Proposed Spin-off.

The relevant resolutions to be proposed at the EGM will be voted by poll in compliance with the Listing Rules.

### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee, comprising Dr. Chan Yau Ching, Bob, Mr. Lam Yat Cheong and Dr. Tsim Wah Keung, Karl, all of whom are independent non-executive Directors, will advise and provide recommendations to the Shareholders on the Proposed Spin-off.

In addition, the Company will also appoint an independent financial adviser in accordance with the Listing Rules to advise the Independent Board Committee and the Shareholders in respect of the Proposed Spin-off.



## **DESPATCH OF CIRCULAR**

A circular, which is subject to review by the Stock Exchange, containing, among other things, further details of the Proposed Spin-off together with a notice convening the EGM will be dispatched to the Shareholders later upon finalisation of further information. As the listing application made by Zhaoke Ophthalmology is subject to the approval of the Stock Exchange and in view of such approval process, the expected date of despatch of the circular to the Shareholders will be more than 15 business days after the publication of this announcement. The Company will despatch the circular to the Shareholders as soon as practicable and it is currently expected that the date to be on or around 29 January 2021.

## **GENERAL**

A redacted version of the Application Proof will be available for reviewing and downloading on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk). The Application Proof contains, among other things, certain business and financial information relating to Zhaoke Ophthalmology. Shareholders should note that the Application Proof is in draft form and the information contained in it is subject to change which may be material.

Details in respect of the Proposed Spin-off and the Proposed Listing, including their structure and expected timetable, have not yet been finalised.

**Shareholders and potential investors should note that there is no assurance that the approval of the Listing Committee of the Stock Exchange for the Proposed Listing will be granted.**

**The Proposed Listing and the final structure of the Proposed Spin-off are subject to, among other things, the approval of the Shareholders, the approval of the Stock Exchange, the final decisions of the board of directors of Zhaoke Ophthalmology, market conditions and other considerations. Accordingly, Shareholders and potential investors of the Company should be aware that there is no assurance that the Proposed Spin-off and the Proposed Listing will take place or, if so, when they may take place. Shareholders and potential investors should exercise caution when dealing in or investing in the securities of the Company. Any person who is in doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional advisers.**

The Company will make further announcement(s) in relation to the Proposed Spin-off and the Proposed Listing in accordance with the requirements of the Listing Rules as and when appropriate.

## DEFINITIONS

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

“Application Proof”	means the application proof of Zhaoke Ophthalmology’s listing document submitted on 18 December 2020
“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
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting to be convened by the Company for the purpose of approving, among other things, the Proposed Spin-off
“Global Offering”	the Hong Kong public offering and the international offering (including the Preferential Offering) of the Zhaoke Ordinary Shares
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Board comprising Dr. Chan Yau Ching, Bob, Mr. Lam Yat Cheong and Dr. Tsim Wah Keung, Karl, all of whom are independent non-executive Directors, formed to advise and provide recommendations to the Shareholders on the Proposed Spin-off
“Lee’s Healthcare Fund”	Lee’s Healthcare Industry Fund L.P., an exempted limited partnership established under the laws of Cayman Islands in which the Company has purchased partnership interest representing approximately 43.16% of the total capital commitment by all limited partners

“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 Committee”	the listing committee of the Stock Exchange
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Ophthalmic Business”	the research and development of ophthalmic drugs
“PN15”	Practice Note 15 of the Listing Rules
“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
“Preferential Offering”	the assured entitlement to the Zhaoke Ordinary Shares to be provided to qualifying existing Shareholders in the Global Offering
“Proposed Listing”	the proposed listing of the Zhaoke Ordinary Shares on the Main Board of the Stock Exchange by way of the Global Offering
“Proposed Spin-off”	the proposed separate listing of Zhaoke Ordinary Shares on the Main Board of the Stock Exchange pursuant to Chapter 18A of the Listing Rules, which is to be effected by way of the Global Offering, including the Preferential Offering
“Remaining Business”	the remaining business of the Retained Group which will comprise of, among others, oncology business, dermatology business, gynecology business, cardiovascular business, psychiatric business and pain management business
“Retained Group”	the Company and its subsidiaries, excluding the Zhaoke Group
“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
“Zhaoke Group”	Zhaoke Ophthalmology and its subsidiaries
“Zhaoke Ophthalmology”	Zhaoke Ophthalmology Limited (formerly known as China Ophthalmology Focus Limited), a company initially incorporated under the laws of the BVI with limited liability and subsequently registered by way of continuation in the Cayman Islands
“Zhaoke Ordinary Shares”	the ordinary shares in the share capital of Zhaoke Ophthalmology which are to be subscribed for and traded in HK\$ and for which an application has been made for listing and permission to trade on the Stock Exchange
“%”	per cent

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

Hong Kong, 18 December 2020

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