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李 氏 大 藥 廠

## **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 DEEMED DISPOSAL OF EQUITY INTERESTS IN A SUBSIDIARY**

#### **THE SUBSCRIPTION**

The Board is pleased to announce that on 23 May 2019 (after trading hours), the Target Company, the Company, Lee's International, Wealthy Chance, the HK Subsidiary, the WFOE and the Investors entered into the Subscription Agreement, pursuant to which the Investors agreed to subscribe for and purchase, and the Company agreed to issue and sell, the Subscription Shares at the Consideration of US\$50,000,000 pursuant to the terms and conditions of the Subscription Agreement.

#### **LISTING RULES IMPLICATIONS**

On a fully-diluted and as-converted basis, the Series A Preferred Shares to be issued pursuant to the Transaction Documents represent approximately 45.525% of the equity share capital of the Target Company. Correspondingly, assuming conversion in full of those Series A Preferred Shares, the Company's indirect interest in the Target Company will decrease to approximately 50.117% and the Target Company will remain as an indirect subsidiary of the Company. As such, the transactions contemplated under the Transaction Documents constitute a deemed disposal of the Target Company under Rule 14.29 of the Listing Rules.

As the discretion to exercise the Redemption Right under the Series A Preferred Shares belongs solely to the Investors, the Redemption Right is being considered as an option granted to the Investors under Rule 14.74(1) of the Listing Rules and classified as if it had been fully exercised at the time of the grant. Accordingly, the grant to and exercise by the Investors of the Redemption Right are regarded as a deemed acquisition by the Company in the Target Company under Chapter 14 of the Listing Rules.

As the applicable percentage ratios in respect of the transactions contemplated under the Transaction Documents are more than 5% but less than 25%, the transactions contemplated under the Transaction Documents constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules, and are subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

## THE SUBSCRIPTION AGREEMENT

The key terms of the Subscription Agreement are as follows:

Date: 23 May 2019 (after trading hours)

Parties: (1) The Target Company;  
 (2) the Company;  
 (3) Lee's International;  
 (4) Wealthy Chance;  
 (5) the HK Subsidiary;  
 (6) the WFOE; and  
 (7) the Investors.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of Wealthy Chance, the Investors and their respective ultimate beneficial owners, are Independent Third Parties.

Number of Series A Preferred Shares: The Investors agree to subscribe for an aggregate of 334,280 Series A Preferred Shares in the following manner:

<b>Investor</b>	<b>Number of Series A Preferred Shares to be subscribed</b>
First Investor	167,140
Second Investor	66,856
Third Investor	66,856
Fourth Investor	<u>33,428</u>
Total	<u><u>334,280</u></u>

Issue Price: US\$149.5752064 per Subscription Share, which was determined after arm's length negotiation between the parties to the Subscription Agreement on normal commercial terms with reference to, among other things, the stage of developments and the market potential of the pipeline assets of the Target Group Companies

Consideration payable by the Investors: US\$50,000,000 which shall be paid by the Investors by wire transfer of immediately available funds in United States dollars at the Closing in the following manner:

<b>Investor</b>	<b>Consideration payable</b> <i>(US\$)</i>
First Investor	25,000,000
Second Investor	10,000,000
Third Investor	10,000,000
Fourth Investor	<u>5,000,000</u>
Total	<u><u>50,000,000</u></u>

Conditions precedent: The obligations of the parties to the Subscription Agreement at the Closing are subject to the fulfilment or waiver, at or before the Closing, of the following, among others, conditions:

- (1) each of the representations and warranties under the Subscription Agreement being correct, true, complete and not misleading in all material respect;
- (2) each of the parties to the Subscription Agreement having performed and complied with, in all material respects, all of its obligations and conditions contained in the Transaction Documents;
- (3) since the date of the Subscription Agreement and up until and including the Closing, there being no material adverse effect;

- (4) no provision of any applicable laws prohibiting the consummation of any transactions contemplated by the Transaction Documents, and all consents of or notification to any competent governmental authority or any other person that are required to be obtained by any Target Group Company or other Warrantor in connection with the consummation of the transactions contemplated by the Transaction Documents, including necessary board and shareholder approvals of the Target Group Companies, shall have been duly obtained and effective;
- (5) all applicable requirements under the Listing Rules for the consummation of the transactions under the Subscription Agreement having been complied with;
- (6) all corporate and other proceedings in connection with the transactions to be completed at the Closing and all documents incident thereto with respect to the Transaction Documents and the transactions contemplated thereby having been completed;
- (7) the Revised Target M&A having been adopted by all necessary actions of the members of the Target Company upon Closing, and the Revised Target M&A having been duly filed with the Registrar of Corporate Affairs of the BVI;
- (8) the Transaction Documents being executed by the Target Company;
- (9) the Target Company having taken all necessary corporate actions such that as of the Closing the board of directors of the Target Company shall be authorised to have 4 members, which members shall consist of: (i) 1 individual designated by the First Investor; (ii) 1 individual designated by the Second Investor; and (iii) 2 individuals designated by Lee's International;

- (10) the Company and the Key Holders having procured the entry of an amended and restated TTA by and among Zhaoke GZ, Zhaoke Hefei and the WFOE, pursuant to which, Zhaoke GZ, Zhaoke Hefei and the WFOE shall amend and restate the TTA to reflect (i) additional information of the products being transferred under the TTA; and (ii) that Zhaoke GZ has assigned the relevant patents to the WFOE;
- (11) the Company and the Key Holders having procured (i) the submission of all the applications to the NIPA in connection with the assignment of the Other Patents from Zhaoke Hefei and Zhaoke GZ to the WFOE; and (ii) the grant by each of Zhaoke Hefei and Zhaoke GZ to the WFOE an exclusive, irrevocable, transferable, unlimited, sublicensable (through multiple tiers), royalty free, fully-paid up license to the Other Patents, with the term of such license being on a patent-by-patent or patent application-by-patent application basis, from the date of the execution thereof to the NIPA's approval for the application for assignment of such patent or patent application, which was provided in the amended and restated TTA;
- (12) the Company and the Key Holders having procured the entry of a trademark license agreement by and between Zhaoke Hefei and the WFOE for the WFOE to use the trademarks "Zhaoke" or "兆科" in the PRC and Hong Kong;

- (13) the Company and the Key Holders having procured the entry of a product supply agreement by and among Zhaoke Hefei, Zhaoke GZ and the WFOE, pursuant to which, (i) the WFOE shall be entitled to, on behalf of Zhaoke Hefei and solely for purposes of researching and developing epinastine hydrochloride eye drops, receive, retain and use any and all Epinastine Raw Materials manufactured and supplied by Huiju in accordance with the terms of the Huiju Agreement, (ii) Zhaoke GZ shall, upon expiration of the Huiju Agreement, immediately enter into a new supply agreement with Huiju and the WFOE, pursuant to which, Zhaoke GZ shall grant to Huiju a fully paid-up and royalty free license under the Epinastine IP for Huiju to manufacture and supply the Epinastine Raw Materials to the WFOE (the “New Huiju Agreement”), and (iii) in the event that (a) Zhaoke GZ, the WFOE and Huiju fail to reach such an agreement or (b) after entering into the New Huiju Agreement, Huiju materially breaches its obligation under the New Huiju Agreement or fails to provide the WFOE with the Epinastine Raw Materials to the satisfaction of the WFOE, Zhaoke GZ shall grant the WFOE a perpetual, fully paid-up and royalty free, sublicenseable through multiple tiers, transferable, irrevocable, unlimited license under the Epinastine IP for purposes of researching, developing, manufacturing and commercializing the Epinastine Raw Materials and epinastine hydrochloride eye drops;
- (14) the Company and the Key Holders having procured a written acknowledgement from KATO acknowledging the receipt of the KATO Assignment;

- (15) the Company and the Key Holders having procured the entry of the confidentiality, non-compete, non-solicitation and invention assignment agreements executed by and between each Target Group Company and all of its employees;
- (16) the Company and the Key Holders having procured the entry of an amendment agreement to each plant lease agreement by and between Zhaoke GZ and the WFOE with respect to the lease of the Guangzhou Plant;
- (17) the WFOE having obtained the approval opinion from the competent environmental protection authority on the Environmental Impact Assessment Form of Construction Projects (環境保護監督部門關於《建設項目環境影響評價報告表》的審批意見); and
- (18) the Company and the Key Holders having procured the entry of an Amendment to the CRO Service Agreement.

Indemnification:

Each of the Warrantors agreed to jointly and severally indemnify and hold the Investors and their respective affiliates, directors, officers, employees and representatives harmless from and against any and all indemnifiable losses resulting from, among others, breach of any representation or warranty of any Warrantors or nonperformance of any covenant of any Warrantor contained in any Transaction Document. Absent fraud, intentional misrepresentation, gross negligence or wilful misconduct by any of the Warrantors, the maximum amount of aggregate losses that may be recoverable by the Investors under the Subscription Agreement together with any amount claimed by any one of the Investors for breach of any terms and conditions in any one of the Transaction Documents shall, in aggregate, not exceed an amount equal to the respective portion of the Consideration paid by such Investor for its purchased Subscription Shares under the Subscription Agreement.

Closing: The Closing shall take place remotely via the exchange of documents and signatures as soon as practicable, but in no event later than 15 Business Days after all closing conditions under the Subscription Agreement have been waived or satisfied (other than those conditions to be satisfied at the Closing, but subject to the satisfaction or waiver thereof at the Closing) or at such other time and place as the Target Company and the Investors shall mutually agree in writing.

If Closing has not taken place on or before 30 June 2019, the Subscription Agreement may be terminated by any Investor (with respect to such Investor only) or the Target Company.

Use of proceeds: The proceeds from the Subscription will be used for business expansion, research and development, capital expenditures and general working capital needs of the Target Group Companies in accordance with the budget and business plans of the Target Company duly approved in accordance with the Shareholders Agreement.

Post-Closing obligations: The parties to the Subscription Agreement are subject to the following, among others, post-Closing obligations:

(1) Equity plan

Promptly following the Closing, conditional on, among others, the Company obtaining all approvals required under the Listing Rules and approval by the board of directors of the Target Company (including the affirmative vote from each of the directors appointed by the First Investor and the Second Investor), the Target Company shall reserve such number of Ordinary Shares which shall represent 6.8407% of the issued shares of the Target Company then outstanding (calculated on a fully-diluted and as-converted basis and taking into account the number of shares to be issued upon the exercise of the options granted under the Equity Plan) being reserved for issuance under the Equity Plan.



The Company will comply with the relevant Listing Rules requirements as appropriate at the time of the adoption of the Equity Plan.

- (2) Regulatory approvals for drugs under development

The WFOE shall, as soon as practicable after the Closing but in any event no later than such applicable timelines as specified in the Subscription Agreement (i) submit the marketing authorisation application for each product as specified in the Subscription Agreement to the competent governmental authority; and (ii) obtain the regulatory approval for each product as specified in the Subscription Agreement in its name.

- (3) Establishment of clinical operation team

As soon as practicable after the Closing but in no event later than 30 June 2019, the WFOE shall complete the recruitment of a team of full-time employees who are qualified to operate or manage the clinical trial programs (including without limitation, design and plan of clinical trials and supervision of services provided by any contract research organisations) in relation to the business of researching, developing and commercialising ophthalmological, gynecological and dermatological products and other related pharmaceutical products and engaging in other activities ancillary thereto.

(4) Business plan

As soon as practicable after the Closing but in no event later than 3 months after the Closing, the WFOE shall develop and deliver to each Investor a comprehensive business plan for conducting contract manufacturing organisation services.

(5) Renheng license agreement

As soon as practicable after the Closing but in no event later than 30 June 2019, the WFOE shall enter into a license agreement with Renheng, pursuant to which Renheng shall grant to the WFOE an exclusive, perpetual, worldwide, irrevocable, transferable, unlimited, sublicensable (through multiple tiers), royalty free, fully-paid up license under all Renheng's intellectual property relating to Nepafenac Eye Drops (奈帕芬胺滴眼液) for the WFOE to research, manufacture, develop, and commercialise Nepafenac Eye Drops for any purposes.

(6) Completion of patent assignment

As soon as practicable after the Closing but in no event later than 6 months after the Closing, the Company and Key Holders shall cause Zhaoke Hefei and Zhaoke GZ to provide each Investor with copies of the official patent registers of the Other Patents issued by the NIPA confirming the completion of assignment of the Other Patents.

(7) New supply agreements with existing raw material suppliers

If the Target Company's board of directors deems it commercially viable to commercialise any product under the existing raw material supply agreements, the Company and the Key Holders shall promptly procure the entry of a new raw material supply agreement by and between the WFOE and each existing raw material supplier, pursuant to which each existing raw material supplier shall provide all the raw materials that are required for commercialisation of such product.

The Company will comply with the relevant Listing Rules requirements as appropriate at the time of entry of the new raw material supply agreement.

(8) Chief medical officer

As soon as practicable after the Closing, the WFOE shall use commercially reasonable efforts to recruit a chief medical officer with clinical research and development expertise, provided that the candidate of such chief medical officer shall be subject to prior approval from each Investor (such approval shall not be withheld unreasonably).

(9) KATO confirmation

As soon as practicable after the Closing but in any event before 30 June 2019, the Company and the Key Holders shall procure a written confirmation from KATO confirming that the licensee under the Kato License has the right to grant sublicenses to the licensee's affiliates without KATO's prior written consent.

(10) Project approvals

As soon as practicable after the Closing but in any event before 30 June 2019, the WFOE shall provide to each Investor a complete and true copy of: (i) the Completion Report on the Environmental Protection Facilities of Construction Projects (建設項目環境設施竣工驗收報告書); (ii) the approval opinion from the competent safety supervision authority on the Completion Report on the Safety Protection Facilities of Construction Projects (安全監督管理部門關於《建設項目安全設施竣工驗收報告書》的審批意見); and (iii) the documents evidencing the filing with or report to the competent safety supervision authority of Completion Plan on the Occupational Hazardous Prevention Facilities of Construction Projects, the Completion Report on the Occupational Hazardous Prevention Facilities of Construction Projects and the approval opinion from the competent safety supervision authority on such completion report (《建設項目職業病防護設施驗收方案》、《建設項目職業病防護設施竣工驗收報告書》及安全監督管理部門關於該等報告書的審批意見) (if applicable).

(11) SAFE registration

As soon as practicable after the Closing but in any event prior to the kick-off meeting regarding the preparation process for an initial public offering, each holder or beneficial owner of an Equity Security of a Target Group Company, who is a “Domestic Resident” as defined in Circular 37 and under other SAFE Rules and Regulations and is subject to any of the registration or reporting requirements of Circular 37 or other SAFE Rules and Regulations, shall have complied with all reporting and/or registration requirements under the SAFE Rules and Regulations, and has made all written filings, registrations, reporting or any other communications required by SAFE or any of its local branches.

The following table shows the shareholdings of the Target Company as at the Closing:

Name of Shareholders	Number of shares in the Target Company	Percentage of the total issued share capital of the Target Company (assuming that none of the Series A Preferred Shares has been converted)	Percentage of the total issued share capital of the Target Company (assuming all of the Series A Preferred Shares have been converted in full)
Lee's International	368,000 Ordinary Shares	92.000%	50.117%
Wealthy Chance	32,000 Ordinary Shares	8.000%	4.358%
First Investor	167,140 Series A Preferred Shares	–	22.762%
Second Investor	66,856 Series A Preferred Shares	–	9.105%
Third Investor	66,856 Series A Preferred Shares	–	9.105%
Fourth Investor	33,428 Series A Preferred Shares	–	4.553%
<b>TOTAL</b>		<b>100.000%</b>	<b>100.000%</b>

## **KEY TERMS OF THE SERIES A PREFERRED SHARES AND INVESTORS RIGHTS**

Pursuant to the Subscription Agreement, the parties have agreed to amend the articles of association of the Target Company. The key terms of the Series A Preferred Shares and Investors rights under the Shareholders Agreement and the Revised Target M&A are as follows:

### **Conversion rights:**

The holders of the Series A Preferred Shares shall have the rights to convert Series A Preferred Shares into Ordinary Shares. Each Series A Preferred Share shall be convertible, at the option of the holder thereof, into such number of fully paid Ordinary Shares as determined by dividing the Series A Issue Price by the then-effective conversion price, which shall initially be the Series A Issue Price and be subject to adjustment and readjustment from time to time subject to the terms of the Revised Target M&A.

Each Series A Preferred Share shall automatically be converted into fully-paid Ordinary Shares upon (i) the closing of a Qualified IPO or (ii) the delivery of a written notice by the Requisite Preferred Holders to the Target Company requesting such conversion.

The conversion price of the Series A Preferred Shares will be subject to adjustment and readjustment for, among other matters, subdivision or combination of the Ordinary Shares, issue of Ordinary Shares in lieu of dividend or other distribution, recapitalisation of the Ordinary Shares and other dilutive events.

The conversion price of the Series A Preferred Shares will be adjusted on a “weighted-average” basis for issuances of additional equity securities at a purchase price below the then effective conversion price with customary exclusions.

The Target Company will not, by amendment of the Revised Target M&A or through any reorganisation, recapitalisation, transfer of assets, consolidation, merger, amalgamation, scheme of arrangement, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Target Company, but will at all times in good faith assist in the carrying out of all the provisions in relation to the conversion rights of the holders of the Series A Preferred Shares in the Revised Target M&A and in the taking of all such action as may be necessary or appropriate to protect the conversion rights of the holders of the Series A Preferred Shares against impairment.

Dividend rights:

Each holder of a Series A Preferred Share shall be entitled to receive dividends at the rate of 8% of the Series A Issue Price per annum for each such share held by such holder, prior and in preference to, and satisfied before, any dividend on any other class or series of shares. Such dividends shall be payable only when, as, and if declared by the board of directors of the Target Company (including affirmative votes from both directors appointed by each of the First Investor and the Second Investor) and shall be cumulative from the date of first issuance of the Series A Preferred Shares.

After the foregoing dividends are paid in full, in the event that the board of directors of the Target Company (including affirmative votes from both directors appointed by each of the First Investor and the Second Investor) declares any dividend with respect to any Ordinary Share, the Target Company shall first or simultaneously declare and pay a dividend on each Series A Preferred Share in an amount equal to the product of (x) the dividend that would be payable on each Ordinary Share multiplied by (y) the number of Ordinary Shares issuable upon conversion of a Series A Preferred Share at the then conversion price.

Redemption Right:

The Series A Preferred Shares shall be redeemable at the election of holders of the Series A Preferred Shares if (i) there is any material breach or violation of, or inaccuracy or misrepresentation in any representation or warranty made by the Warrantors in the Transaction Documents or any material breach or violation of any undertaking, covenant or obligation contained in the Transaction Documents and such breach or violation is not cured to the reasonable satisfaction of the Requisite Preferred Holders within 30 days following written notice served by the Requisite Preferred Holders to the Target Company; or (ii) the Target Company has not consummated a Qualified IPO on or prior to the fourth anniversary of the Closing.

The redemption price for each Series A Preferred Share shall be an amount in cash equal to the sum of (a) the Series A Issue Price, (b) an amount which would result in each holder of a Series A Preferred Share being deemed receiving an internal rate of return of 13% in respect of each Series A Preferred Share, measured from the date of first issuance of the Series A Preferred Shares until the date of closing of the redemption of any Series A Preferred Share, plus (c) any declared but unpaid dividends on such Series A Preferred Share.

It is expected that the redemption price will be funded by any source of assets or funds legally available therefor.

The redemption rights shall terminate on the earlier to occur of (1) the 6th anniversary of the Closing or (2) one calendar day before the submission of the First Filing, provided that if a Qualified IPO has not been consummated on the Main Board of the Stock Exchange within 12 calendar months of the date of the First Filing (the “**Revival Date**”), the redemption right shall automatically be restored in all respects as of such Revival Date.

Voting rights:

The holder of a Series A Preferred Share shall be entitled to such number of votes as equals the number of Ordinary Shares into which such holder’s Series A Preferred Share is convertible immediately after the close of business on the record date of the determination of the Target Company’s Shareholders entitled to vote.



Liquidation rights:

In the event of any liquidation, dissolution or winding up of the Target Company, whether voluntary or involuntary or a Deemed Liquidation Event, all assets and funds of the Target Company legally available for distribution to the shareholders of the Target Company (after satisfaction of all creditors' claims and claims that may be preferred by law) shall be distributed to the shareholders of the Target Company in the following order and steps:

- (1) to each holder of Series A Preferred Shares, on parity with each other and prior and in preference to any distribution of any of the assets or funds of the Target Company to the holders of any other class or series of shares, an amount equal to 100% of the Series A Issue Price, plus all declared but unpaid dividends on such Series A Preferred Share (if any); if the assets and funds thus distributed among the holders of the Series A Preferred Shares shall be insufficient to permit the payment to such holders of the foregoing amounts in full, then the entire assets and funds of the Target Company legally available for distribution shall be distributed ratably among the holders of the Series A Preferred Shares in proportion to the aggregate Series A Preference Amount each such holder is otherwise entitled to receive; and
- (2) to each holder of shares on an as-converted-to-Ordinary Shares basis, any remaining funds or assets of the Target Company legally available for distribution to the shareholders of the Target Company (treating all the Series A Preferred Shares as if they had been converted to Ordinary Shares at the then effective conversion price immediately prior to such liquidation, dissolution or winding up of the Target Company).

Pre-emptive rights:	In the event that the Target Company proposes to undertake an issuance of new securities, it shall give to each holder of Series A Preferred Shares a preemptive right in participating for the subscription for such new securities on pro-rata basis.
Restriction on transfers:	Except for a Permitted Transfer, each Key Holder shall not transfer all or any part of any interest in any Equity Securities of the Target Company owned or held directly or indirectly by such Key Holder prior to the consummation of the Qualified IPO without the prior written consent of the Requisite Preferred Holders.
Transfer by the Investors:	The Investors may freely transfer any Equity Securities of the Target Company provided such transfer is effected in compliance with all applicable laws and that the transferee be bound by the terms of the Shareholders Agreement and assume the obligations of the transferring party under the Shareholders Agreement with respect to the transferred Equity Securities.
Right of First Offer:	<p>Subject to applicable securities laws, if, at any time prior to the consummation of the Target Company's initial public offering or Deemed Liquidation Event, any Investor proposes to transfer any Equity Securities of the Target Company to one or more third parties (other than any other Investors), each Key Holder shall have an option to elect to purchase all (but not less than all) of its pro rata share (being (1) the total number of the Equity Securities of the Target Company to be transferred by such Investor, multiplied by (2) a fraction, the numerator of which shall be the aggregate number of Ordinary Shares held by such Key Holder on the date of notice of the proposed transfer and the denominator of which shall be the total number of Ordinary Shares of the Target Company held by all Key Holders on such date) of the Equity Securities of the Target Company to be transferred by such Investor.</p> <p>To the extent that the Key Holders do not exercise their right of first offer, the Investor may offer and sell the Equity Securities of the Target Company to be transferred by such Investor at a price not less than, and upon terms not less favourable to that offered to the Investor.</p>

Right of first refusal  
and co-sale:

If any Key Holder proposes to directly or indirectly transfer any Equity Securities of the Target Company to any person (other than any other Key Holder), the Investors shall have a right of first refusal to elect to purchase all or any portion of its respective pro rata share (being (1) the total number of the Equity Securities of the Target Company to be transferred by the Key Holder, multiplied by (2) a fraction, the numerator of which shall be the aggregate number of Ordinary Shares held by such Investor on the date of notice of the proposed transfer (including all Series A Preferred Shares held by such Investor on an as-converted to Ordinary Share basis) and the denominator of which shall be the total number of Ordinary Shares of the Target Company held by all Investors on such date (including all Series A Preferred Shares held by such Investors on an as-converted to Ordinary Share basis)) of the Equity Securities of the Target Company to be transferred by the Key Holder.

To the extent the Investors do not exercise their respective rights of first refusal in full, each such Investor shall have the right to participate in such sale, to the proposed transferee, of the remaining Equity Securities of the Target Company to be transferred by the Key Holder ratably.

Drag along rights:

At any time after the fourth anniversary of the Closing and prior to the consummation of a Qualified IPO, subject to (i) compliance by the Company of all applicable requirements under the Listing Rules; and (ii) the approval by (a) the holders of a majority in interest of the outstanding Ordinary Shares; and (b) the Requisite Preferred Holders, a Sale Transaction or a Deemed Liquidation Event may be effected and each of the other holders of shares of the Target Company shall agree to support and vote their shares in favor of such transaction.

Board representation:

The Target Company shall have a board of directors consisting up to 4 directors.

So long as Lee's International continues to hold directly or indirectly a majority of the then outstanding Ordinary Shares, Lee's International shall have the right to designate, appoint, remove, replace and reappoint 2 directors to the board of directors of the Target Company.

So long as the Second Investor continues to hold any Series A Preferred Shares (or Ordinary Shares issued upon conversion of the Series A Preferred Shares), the Second Investor shall have the right to designate, appoint, remove, replace and reappoint 1 director to the board of directors of the Target Company, provided that the Second Investor shall cease to have such right if (1) the Second Investor ceases to hold at least 3% of the issued shares of the Target Company (as calculated on a fully-diluted and as-converted basis) resulting solely from any transfer of any Equity Securities of the Target Company from the Second Investor to one or more third parties (other than any other Investor which is a Party to the Shareholders Agreement or other investors in any subject financing); or (2) the Second Investor ceases to hold at least 1% of the issued shares of the Target Company (as calculated on a fully-diluted and as-converted basis) resulting from any issuance and sale of any Equity Securities of the Target Company following the date hereof to any person for financing purposes of the Target Group Companies, as approved by the Requisite Preferred Holders (the "**Subject Financing**").

So long as the First Investor continues to hold any Series A Preferred Shares (or Ordinary Shares issued upon conversion of the Series A Preferred Shares), the First Investor shall have the right to designate, appoint, remove, replace and reappoint 1 director provided that the First Investor shall cease to have such right if (1) the First Investor ceases to hold at least 3% of the issued shares of the Target Company (as calculated on a fully-diluted and as-converted basis) resulting solely from any transfer of any Equity Securities of the Target Company from the First Investor to one or more third parties (other than any other Investor which is a Party to the Shareholders Agreement or other investors in any subject financing); or (2) the First Investor ceases to hold at least 1% of the issued shares of the Target Company (as calculated on a fully-diluted and as-converted basis) resulting from any Subject Financing.

Matters requiring approval from holders of Series A Preferred Shares:

The approval from the Requisite Preferred Holders is required by the Target Company to effect any of, among others, (i) the cessation or suspension of the conduct of the business of any Target Group Company (including entry into any new business line); and (ii) any Sale Transaction, Qualified IPO, spin-off, concerning any Target Group Company.

Matters requiring approval from directors nominated by the Investors:

The approval from the directors nominated by the Investors is required by the Target Company to effect, among others, (i) select, appoint or replace the auditors of any Target Group Company; and (ii) make any declaration, set aside or payment of a dividend.

Other rights granted to the Investors:

The Investors were also granted customary information rights and inspection rights.

Indemnification agreement:

The Target Company is required to enter into an indemnification agreement to indemnify each of the directors appointed by the Investors, to the fullest extent permitted by applicable law, if such director becomes a party to or witness or other participant in any claim by reason of (or arising in part out of) any event or occurrence related to the fact that such director is or was a director of the Target Company or any subsidiary of the Company.

“Participation right in initial public offering”

Subject to compliance with applicable laws and the listing rules and published guidance materials (including guidance letters, listing decisions and frequently asked questions) of applicable stock exchange, each Investor and its affiliates shall have, and the Target Company shall use its best efforts to cause its underwriter(s) of the initial public offering to provide, the options to purchase, on the same terms and at the final price per share set forth in the Target Company’s final prospectus with respect to the initial public offering, up to the number of the Ordinary Shares of the Target Company offered in the initial public offering that enable such Investor and/or its affiliates to maintain, in the aggregate, its ownership interest percentage in the Target Company immediately prior to the consummation of the initial public offering.

## **EFFECT OF THE CLOSING AND FINANCIAL IMPACT OF THE SUBSCRIPTION**

Upon the completion of the Subscription Agreement and the transactions contemplated thereunder, the Target Company will remain as an indirect subsidiary of the Company. As such, the Target Company and its operating results, assets and liabilities will continue to be consolidated in the financial statements of the Group. As the Subscription is an equity transaction, no gain/loss will be reported in the Company’s consolidated statement of profit or loss.

## **GENERAL INFORMATION OF WEALTHY CHANCE**

Wealthy Chance was incorporated in the BVI on 20 July 2018 and is an investment holding company. As at the date of the Subscription Agreement, Wealthy Chance is directly owned by group of employees in the Company and they are third parties independent of the Company and its connected persons.

## **GENERAL INFORMATION OF THE INVESTORS**

The First Investor is a company incorporated under the laws of Singapore with limited liability and is engaged in investment holding.

The Second Investor is a limited partnership established under the laws of the Cayman Islands and is engaged in investment holding.

The Third Investor is a company incorporated under the laws of the BVI with limited liability and is engaged in investment holding.

The Fourth Investor is a company incorporated under the laws of the BVI with limited liability and is engaged in investment holding.

## **GENERAL INFORMATION OF THE TARGET COMPANY AND THE ASSETS TRANSFERRED TO THE TARGET GROUP COMPANIES**

### **The Target Company**

The Target Company was incorporated in the BVI on 20 January 2017 and is currently engaged in the business of researching, developing and commercialising ophthalmological, gynaecological and dermatological products and other related pharmaceutical products and engaging in other activities ancillary thereto through the WFOE. As at the date of this announcement, the Target Company is held as to 92% by Lee's International (a wholly-owned subsidiary of the Company) and 8% by Wealthy Chance.

The HK Subsidiary was incorporated in Hong Kong on 24 July 2017 and is a wholly-owned subsidiary of the Target Company. WFOE was a company established under the laws of the PRC with limited liability on 16 June 2016 and is a wholly-owned subsidiary of the HK Subsidiary.

As at 31 December 2017 and 31 December 2018, the audited consolidated total assets value of the Target Group Companies were approximately HK\$100,000 and HK\$188,889,000 respectively.

As at 31 December 2017, the audited total net assets of the Target Group Companies was approximately HK\$100,000 and as at 31 December 2018, the audited total net liabilities of the Target Group Companies was approximately HK\$3,768,000.

The audited net profits (both before and after taxation) of the Target Group Companies for each of the two financial years immediately before the Subscription are as follow:

	<b>For the year ended 31 December 2017 HK\$</b>	<b>For the year ended 31 December 2018 HK\$</b>
Net loss before taxation	117,000	6,482,000
Net loss after taxation	117,000	6,860,000

## The WFOE Patents

The WFOE patents cover the technologies to develop two different products. The patent titled: “一種環孢素眼凝膠及其製備方法” (Patent No. ZL2014100337373) describes an unique formulation and its manufacture process for cyclosporine eye gel for the treatment of dry eye syndromes. The improved formulation enables a better pharmacokinetics for the product. Currently, a dose finding, Phase II clinical study is ongoing and is expected to be completed by June, 2019. A registration enabling Phase III clinical study is expected to start during the second half of 2019.

The patent titled “阿達帕林鹽酸克林霉素複方凝膠製劑及其製備方法” (Patent No. ZL200810004156.1) deals with a proprietary formulation and its manufacture process for a product for acne. The combination formulation provides better efficacy and patient compliance. A Phase III clinical study enrolling 1,600 patients is underway with one third of enrolment completed as to date.

The patent application titled “一種婦科術後止痛藥物組合物及其製備方法” (patent application no. 201810241754.4) deals with a propriety pharmaceutical composition and its manufacture process for a product for postoperative pain relief after gynaecologic surgery.

## The Other Patents

Zhaoke Hefei and Zhaoke GZ shall assign the following patents and patent applications to the WFOE at Closing:

No.	Patent name	Patent/Patent Application Number	Current registered owner	Date of application	Date of grant	Expiration Date
<b>Issued Patents</b>						
1.	一種肌動蛋白結合肽及其用途	ZL201210454279.1	Zhaoke GZ	2012.11.13	2014.7.23	2034.7.23
2.	一種多肽固相合成的監測方法	ZL201510972013.X	Zhaoke Hefei	2015.12.18	2018.1.5	2035.12.17
3.	一種治療外陰陰道念珠菌病的藥物組合物	ZL201310080636.7	Zhaoke Hefei	2013.3.13	2014.12.31	2033.3.12
4.	一種抑血管生成素、純化方法及含有它們的藥物組合物	ZL201010252717.7	Zhaoke GZ	2010.8.13	2014.4.30	2030.8.12
<b>Patent Applications</b>						
5.	一種鹽酸左倍他洛爾滴眼液的製備方法	201711461666.7	Zhaoke Hefei	2017.12.28	N/A	N/A
6.	一種環孢素A眼凝膠的雜質控制方法	201711391728.1	Zhaoke Hefei	2017.12.21	N/A	N/A
7.	一種環孢素眼凝膠的處理工藝	201711427891.9	Zhaoke Hefei	2017.12.26	N/A	N/A
8.	一種鹽酸克林霉素的雜質控制方法	201711336457.X	Zhaoke Hefei	2017.12.14	N/A	N/A
9.	一種凝膠製劑中阿達帕林的分散工藝	201711392438.9	Zhaoke Hefei	2017.12.21	N/A	N/A



The above patents and patent applications cover the technologies to develop products for the treatment of vulvovaginitis, glaucoma, diabetic retinopathy, wet AMD, diabetic macular edema, dry eye syndromes and acne respectively.

### **Services under the CRO Service Agreement**

Under the CRO Service Agreement, Zhaoke Hefei was appointed by the WFOE to provide clinical research services in the PRC for assessing, among others, the effectiveness and safety of five products relating to treatment of eye diseases of dry eye syndrome, glaucoma, age-related macular degeneration, acne and corneal ulcer, respectively.

### **Nepafenac Eye Drops (奈帕芬胺滴眼液)**

Nepafenac Eye Drops (奈帕芬胺滴眼液) is a product with anti-inflammation activity for the treatment of conjunctivitis which was developed by Renheng and expected to obtain regulatory approval by 2025.

## **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.

## **REASONS FOR AND BENEFITS OF THE SUBSCRIPTION**

The Target Company is principally engaged in new drug development activities in ophthalmology areas. The Target Company seeks expansion capital to grow its business in the developing of ophthalmic products and, correspondingly, seeks to secure an investment from the Investors, on the terms and conditions set forth in the Subscription Agreement.

The ophthalmic drug market is one of the fast growing areas of pharmaceutical industry worldwide. However, there are only handful of ophthalmology specialty companies in China today. The Target Company is established with an aim to become a leading ophthalmology specialty company in Asia (excluded Japan), covering both front and back of the eyes. Having invested in development and manufacturing capability, the Target Company could become a magnet for attracting innovative ophthalmic product and technology from the world to serve products in Asia.

It is the intention of the Company to achieve a Qualified IPO of the Target Company. However, this remains a preliminary plan at present and no concrete proposal or timing in relation to a qualified initial public offering has been concluded. Based on the Directors' view on the future prospects of the Target Company, the Directors consider that in the event a Qualified IPO has not occurred as planned, the Redemption Right may also enable the Company to repurchase the Investors' shares at a reasonable cost.

The Directors considered that the terms of the Subscription Agreement and the Shareholders Agreement and the transactions contemplated thereunder, which have been entered into after arm's length negotiation between parties thereto, are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The Company will comply with the relevant Listing Rules requirements as appropriate in carrying out a Qualified IPO of the Target Company.

### **LISTING RULES IMPLICATIONS**

On a fully-diluted and as-converted basis, the Series A Preferred Shares to be issued pursuant to the Transaction Documents represent approximately 45.525% of the equity share capital of the Target Company. Correspondingly, assuming conversion in full of those Series A Preferred Shares, the Company's indirect interest in the Target Company will decrease to approximately 50.117%. As such, the transactions contemplated under the Transaction Documents constitute a deemed disposal of the Target Company under Rule 14.29 of the Listing Rules.

As the discretion to exercise the Redemption Right under the Series A Preferred Shares belongs solely to the Investors, the Redemption Right is being considered as an option granted to the Investors under Rule 14.74(1) of the Listing Rules and classified as if it had been fully exercised at the time of the grant. Accordingly, the grant to and exercise by the Investors of the Redemption Right are regarded as a deemed acquisition by the Company in the Target Company under Chapter 14 of the Listing Rules.

As the applicable percentage ratios in respect of the transactions contemplated under the Transaction Documents are more than 5% but less than 25%, the transactions contemplated under the Transaction Documents constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules, and are subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

## DEFINITIONS

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

“Board”	board of Directors
“Business Days”	any day other than a Saturday, Sunday, legal holiday or other day on which commercial banks in the PRC, Hong Kong, Singapore, the Cayman Islands, or the BVI are required or authorised by law or executive order to be closed or on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m. Hong Kong time
“BVI”	British Virgin Islands
“Circular 37”	means the Notice on Issues Concerning Foreign Exchange Administration for Overseas Investment and Financing and Round-trip Investment by PRC Residents through Special Purpose Vehicles issued by SAFE on 14 July 2014, as amended and supplemented, and any successor statute, all as from time to time in effect
“Closing”	the consummation of the subscription and issuance of the Subscription Shares pursuant to the terms of the Subscription Agreement
“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
“Consideration”	US\$50,000,000, being the aggregate consideration payable by the Investors to the Target Company for the Subscription pursuant to the Subscription Agreement calculated at the Series A Issue Price
“CRO Service Agreement”	the CRO Service Agreement (臨床研究服務合同書) by and between Zhaoke Hefei and the WFOE with respect to the clinical trial services for five Products (including TAB014, Levobetaxolol Hydrochloride Eye Drops, LQ-7, Cyclosporin A Eye Gel and Adapalene Clindamycin Hydrochloride Gel)

“Deemed Liquidation Event”	means any of the following events: (i) any consolidation, amalgamation, scheme of arrangement or merger of the Target Company with or into any other person or other reorganisation in which the shareholders of the Target Company immediately prior to such consolidation, amalgamation, merger, scheme of arrangement or reorganisation own less than 50% of the surviving entity’s voting power in the aggregate immediately after such consolidation, merger, amalgamation, scheme of arrangement or reorganisation, or any transaction or series of related transactions to which the Target Company is a party in which in excess of 50% of the Target Company’s voting power is transferred; (ii) a sale, transfer, lease or other disposition of all or substantially all of the assets of the Target Group Companies, taken as a whole (or any series of related transactions resulting in such sale, transfer, lease or other disposition of all or substantially all of the assets of the Group Companies, taken as a whole); or (iii) the exclusive licensing of all or substantially all of the Target Group Companies’ intellectual property, taken as a whole, to a third party, unless any of the events set forth in the foregoing (i) to (iii) is waived in writing by the Requisite Preferred Holders
“Director(s)”	director(s) of the Company
“Epinastine IP”	(i) certain patent titled “一種鹽酸依匹斯汀的合成方法” (Pat. No. ZL201510641046.6) issued by the NIPA and owned by Zhaoke GZ as of the date hereof and (ii) any related intellectual property owned or otherwise controlled by Zhaoke GZ
“Epinastine Raw Materials”	the raw materials for developing, manufacture and commercializing epinastine hydrochloride eye drops
“Equity Plan”	the share incentive plan to be established after the Closing for the benefit of the officers, directors, employees, advisers and consultants of the Target Group Companies which shall be subject to the compliance with the Listing Rules and applicable laws and consistent with the terms of the Revised Target M&A with approval from the board of directors of the Target Company (including the affirmative vote from each of the directors appointed by the First Investor and the Second Investor)

“Equity Securities”	with respect to any person that is a legal entity, any and all shares of capital stock, membership interests, profits interests, ownership interests, equity interests, registered capital, and other equity securities of such person, and any right, warrant, option, call, commitment, conversion privilege, preemptive right or other right to acquire any of the foregoing, or security convertible into, exchangeable or exercisable for any of the foregoing
“First Filing”	means the first submission of a listing application form with the Stock Exchange in respect of the equity securities of the Target Company
“First Investor”	Coyote Investment Pte. Ltd., a company incorporated under the laws of Singapore with limited liability
“First Participation Notice”	the notice to be issued by the Target Company to the holder of Series A Preferred Shares regarding the Target Company’s intention to issue new securities
“Fourth Investor”	Vertex Profit International Limited, a company incorporated under the laws of the BVI with limited liability
“Group”	the Company and its subsidiaries
“Guangzhou Plant”	the office and other facility located at 1 Meide 3rd Road, Nansha District, Guangzhou, the PRC and leased by the WFOE from Zhaoke GZ pursuant to certain lease agreements by and between the WFOE and Zhaoke GZ
“HK Subsidiary”	Zhaoke (Hong Kong) Ophthalmology Pharmaceutical Limited (兆科(香港)眼科藥物有限公司), a company incorporated under the laws of Hong Kong with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Huiju”	Haimen Huiju Pharmaceutical Co., Ltd. (海門慧聚藥業有限公司)

“Huiju Agreement”	certain Epinastine Hydrochloride Commission Formulation Service Agreement by and between Zhaoke Hefei and Huiju dated as of August 24, 2018
“Independent Third Party(ies)”	person(s) or company(ies) and their respectively 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
“Investors”	the First Investor, Second Investor, the Third Investor and the Fourth Investor
“KATO”	KATO Pharmaceuticals, Inc., a company incorporated under the laws of the State of Delaware of the United States of America with limited liability and an Independent Third Party
“KATO Assignment”	the Assignment and Assumption Agreement entered into between Zhaoke HK and the HK Subsidiary dated 1 January 2019 in respect of the assignment by Zhaoke HK to the HK Subsidiary in respect of Zhaoke HK’s right, title and interest in and to the KATO License
“KATO License”	the License and Commercialisation Agreement entered into between Zhaoke HK and KATO dated 30 September 2016, pursuant to which Zhaoke HK received exclusive, royalty-bearing, sublicensable right and license to, among others, use, research, manufacture, distribute and commercialise in the PRC, Hong Kong, Macau Special Administrative Region, Taiwan and certain countries in South East Asia products containing small molecule formulations of urea and urea derivatives, including, without limitation, urea in a liposome formulation, for the prevention, mitigation or treatment of any ophthalmic diseases or disorders in humans
“Key Holders”	Lee’s International and Wealthy Chance
“Lee’s International”	Lee’s Pharmaceutical International Limited, a company incorporated under the laws of the BVI with limited liability, and a wholly owned subsidiary of the Company

“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“NIPA”	the National Intellectual Property Administration of the PRC
“Ordinary Shares”	the ordinary shares in the share capital of the Target Company with par value of US\$0.0001 per share
“Other Patents”	patents and patent applications specified in the Subscription Agreement, particulars of which are set out in the section “General Information of the Target Company and the Assets Transferred to the Target Group Companies” above
“Permitted Transfer”	(i) any sale of Equity Securities of the Target Company pursuant to a Qualified IPO, and (ii) any transfer of Equity Securities by any Key Holder to any of its non-operating controlled affiliates, or (iii) any transfer of equity securities by Wealthy Chance and/or its controlled affiliate(s) to Lee’s International and/or its non-operating controlled affiliate
“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

“Qualified IPO”	means a firm commitment underwritten public offering of the Ordinary Shares (or securities representing such Ordinary Shares) of the Target Company (or an affiliate of the Target Company approved by the Requisite Preferred Holders) in the United States on the New York Stock Exchange or the Nasdaq Stock Market pursuant to an effective registration statement under the Securities Act, or any PRC stock exchange or on the Main Board of the Stock Exchange, or such other internationally recognised stock exchange approved in writing by the Requisite Preferred Holders, managed by a lead underwriter of international standing reasonably acceptable to the Requisite Preferred Holders, with a public offering price that reflects the Target Company’s market capitalisation immediately prior to such offering of at least US\$250,000,000, and with aggregate proceeds to the Target Company (net of any underwriters’ discount, commissions and expenses and stock transfer taxes applicable to a sale of securities) of at least US\$30,000,000
“Redemption Right”	right of the holders of Series A Preferred Shares to require the Target Company to redeem the Series A Preferred Shares, details of which are set out in the section “Key terms of the Series A Preferred Shares and Investors rights” above
“Renheng”	Renheng Pharm Limited (廣州仁恒醫藥科技股份有限公司), a company incorporated under the laws of PRC with limited liability and an Independent Third Party
“Requisite Preferred Holders”	the holders of at least 51% of the voting power of the then outstanding Series A Preferred Shares and Ordinary Shares issued upon conversion of the Series A Preferred Shares (which must include the Second Investor, so long as the Second Investor holds any then outstanding Series A Preferred Shares and Ordinary Shares issued upon conversion of the Series A Preferred Shares)
“Revised Target M&A”	the amended and restated memorandum of association and articles of association of the Target Company to be adopted in accordance with applicable law on or before the Closing



“SAFE”	the State Administration of Foreign Exchange of the PRC
“SAFE Rules and Regulations”	means any applicable SAFE rules and regulations (including, but not limited to, Circular 37)
“Sale Transaction”	any merger, sale of control, sale of shares or any transaction or a series of related transactions in which all or substantially all of the assets, intellectual property, Equity Securities, voting power or undertakings of the Target Group Companies will be sold
“Second Investor”	Panacea Venture Healthcare Fund I, L.P., a limited partnership established under the laws of the Cayman Islands
“Securities Act”	means the United States Securities Act of 1933, as amended and interpreted from time to time, and the rules and regulations promulgated thereunder
“Series A Issued Price”	the purchase price of US\$149.5752064 per Subscription Share
“Series A Preferred Shares”	the series A preferred shares in the share capital of the Target Company with par value of US\$0.0001 per share with the rights and privileges as set forth in the Revised Target M&A
“Shareholders”	holders of the Shares
“Shareholders Agreement”	the shareholders agreement to be entered into among the Target Company, the Company, Lee’s International, Wealthy Chance, the HK Subsidiary, the WFOE and the Investors setting out the rights and obligations of Lee’s International, Wealthy Chance and the Investors as shareholders of the Target Company
“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

“Subscription”	the subscription for the Series A Preferred Shares by the Investors pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the series A preferred share subscription agreement dated 23 May 2019 and entered into among the Target Company, the Company, Lee’s International, Wealthy Chance, HK Subsidiary, the WFOE and the Investors for the subscription and issuance of the Subscription Shares pursuant to the terms and conditions set forth therein
“Subscription Shares”	an aggregate of 334,280 Series A Preferred Shares to be subscribed by the Investors, of which 167,140 Series A Preferred Shares will be subscribed by the First Investor, 66,856 Series A Preferred Shares will be subscribed by the Second Investor, 66,856 Series A Preferred Shares will be subscribed by the Third Investor and 33,428 Series A Preferred Shares will be subscribed by the Fourth Investor
“Target Company”	China Ophthalmology Focus Limited, a company incorporated under the laws of the BVI with limited liability
“Target Group Companies”	each of the Target Company and any of its direct or indirect subsidiary that has been established or to be established after the date of the Subscription Agreement (including the HK Subsidiary and the WFOE)
“Third Investor”	Smart Rocket Limited, a company incorporated under the laws of the BVI with limited liability
“Transaction Documents”	collectively the Subscription Agreement, the Shareholders Agreement and other ancillary agreements and documents delivered under or in connection with the Subscription Agreement or any one of the ancillary agreements for implementing the transactions contemplated by any of the foregoing

“TTA”	the Technology Transfer Agreement (專利與技術轉讓合同書) entered into by Zhaoke Hefei, Zhaoke GZ and the WFOE on 2 March 2019, pursuant to which Zhaoke Hefei and Zhaoke GZ made an exclusive, royalty free, irrevocable, transferable and sublicensable assignment to the WFOE certain technologies, patents and patent applications in relation to the treatment of eye diseases
“US\$”	United States Dollars, the lawful currency of the United States of America
“Warrantors”	the Target Group Companies, the Company and the Key Holders
“Wealthy Chance”	Wealthy Chance Fortune Ltd., a company incorporated under the laws of the BVI with limited liability
“WFOE”	Zhaoke (Guangzhou) Ophthalmology Pharmaceutical Co., Ltd. (兆科(廣州)眼科藥物有限公司), a company established under the laws of the PRC with limited liability
“WFOE Patents”	(i) certain patent titled “一種環孢素眼凝膠及其製備方法” (Pat. No. ZL201410033737.3) issued by the NIPA and owned by the WFOE (ii) certain patent titled “阿達帕林鹽酸克林霉素複方凝膠製劑及其製備方法” (Pat. No. ZL200810004156.1) issued by the NIPA and owned by the WFOE; and (iii) certain patent application titled “一種婦科術後止痛藥物組合物及其製備方法” (Pat. App. No. 201810241754.4) owned by the WFOE
“Zhaoke GZ”	Zhaoke Pharmaceutical (Guangzhou) Company Limited (兆科藥業(廣州)有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Zhaoke Hefei”	Zhaoke Pharmaceutical (Hefei) Company Limited (兆科藥業(合肥)有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

“Zhaoke HK”

Zhaoke Pharmaceutical (HK) Limited (兆科藥業(香港)有限公司), a company incorporated under the laws of Hong Kong with limited liability

“%”

per cent

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

Hong Kong, 23 May 2019

\* *For identification purpose only*

*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.*