

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibilities 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)

CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION

Reference is made to the announcements made by the Company on 6 July 2012 and the announcement made by the Company on 1 March 2013 in relation to the Subscription (the “**Announcements**”).

The Board is pleased to announce that on 12 August 2013, CVie Therapeutics, CCF, IBHL, the New Investors and the Company entered into the Series B Shares Purchase Agreement, pursuant to which IBHL and the New Investors respectively agree to subscribe for the Series B Shares at the Series B Purchase Price pursuant to the terms and conditions of the Series B Shares Purchase Agreement.

As at the date of this announcement, the Company holds 7,595,238 Ordinary Shares, representing 70.98% of the total issued share capital of CVie Therapeutics (on an as converted basis) as at the date of this announcement. Immediately after the Series B Closing, the Company's equity interest in CVie Therapeutics will be reduced to 56.26% of the total issued share capital of CVie Therapeutics (on an as enlarged basis by taking into account the issuance of the Series B Shares and on an as converted basis, and on the assumption that no share option is exercised under the Share Plan) as at the date of the Series B Closing.

* *for identification purpose only*

IBHL is a substantial shareholder of CVie Therapeutics, holding 3,104,762 Series A Shares, representing 29.02% of the total issued share capital of CVie Therapeutics (on an as converted basis) as at the date of this announcement, and CVie Therapeutics is a non-wholly owned subsidiary of the Company. Therefore, IBHL is a connected person of the Company under the Listing Rules. Accordingly, the IBHL's Subscription and the transactions as contemplated under the Transaction Documents constitute connected transactions of the Company under Chapter 14A of the Listing Rules. The applicable percentage ratios under the Listing Rules in respect of the subscription of the Series A-2 Shares at the Stage 1 Closing made by IBHL, together with the IBHL's Subscription and the transactions as contemplated under the Transaction Documents in aggregate, does not exceed 5% and because of this, in accordance with Rule 14A.32 of the Listing Rules, the IBHL's Subscription and the transactions as contemplated under the Transaction Documents are only subject to the reporting and announcement requirements and are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

In consideration of the subscription of the Series B Shares by the New Investors under the Series B Shares Purchase Agreement, CCF and the Company agree to provide the Indemnity to the New Investors under the Series B Shares Purchase Agreement. In addition, the Series B Indemnification Agreement will be entered into by CVie Therapeutics in favour of LAV and the Series B Director. As the applicable percentage ratios in respect of the such transactions for the provision of the indemnities calculated under Chapter 14 of the Listing Rules are more than 5% but less than 25%, each of the Indemnity provided under the Series B Shares Purchase Agreement and the indemnification provided under the Series B Indemnification Agreement 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 SERIES B SHARES PURCHASE AGREEMENT

Date

12 August 2013

The parties

- (1) CVie Therapeutics as issuer, which is an indirect non-wholly owned subsidiary of the Company;
- (2) CCF, a wholly-owned subsidiary of the Company which holds 7,595,238 Ordinary Shares in CVie Therapeutics, representing 70.98% of the total issued share capital of CVie Therapeutics (on an as converted basis) as at the date of this announcement;
- (3) IBHL;

- (4) LAV;
- (5) CDIB; and
- (6) the Company, as a warrantor of certain representations, warranties and undertakings given by CCF and CVie Therapeutics.

To the best of knowledge, information and belief of the Directors having made all reasonable enquiries, each of LAV and CDIB and its ultimate beneficial owners (where applicable), are Independent Third Parties.

IBHL is a connected person of the Company under the Listing Rules because it is a substantial shareholder of CVie Therapeutics, holding 3,104,762 Series A Shares, representing 29.02% of the total issued share capital of CVie Therapeutics (on an as converted basis) as at the date of this announcement, while CVie Therapeutics is a non-wholly owned subsidiary of the Company.

The Series B Shares Subscription

Pursuant to the Series B Shares Purchase Agreement and subject to the conditions precedent set forth therein, IBHL and each New Investor respectively agree to subscribe for the Series B Shares at the Series B Purchase Price in the following manner:

- (a) IBHL shall subscribe for, and CVie Therapeutics shall allot and issue to IBHL 980,000 Series B Shares at the Series B Purchase Price (i.e. an aggregate sum of US\$3,500,000 for those Series B Shares subscribed by IBHL);
- (b) LAV shall subscribe for, and CVie Therapeutics shall allot and issue to LAV 1,260,000 Series B Shares at the Series B Purchase Price (i.e. an aggregate sum of US\$4,500,000 for those Series B Shares subscribed by LAV); and
- (c) CDIB shall subscribe for and CVie Therapeutics shall allot and issue to CDIB 560,000 Series B Shares at the Series B Purchase Price (i.e. an aggregate sum of US\$2,000,000 for those Series B Shares subscribed by CDIB).

The total consideration to be received by CVie Therapeutics for the allotment and issuance of the Series B Shares under the Series B Shares Purchase Agreement shall be US\$10,000,000.

Cancellation of the subscription of the Series A-2 Shares by IBHL

In consideration of the subscription of Series B Shares by IBHL and the issuance of the Series B Shares by CVie Therapeutics to IBHL under the Series B Shares Purchase Agreement, CVie Therapeutics, CCF, the Company and IBHL unconditionally and irrevocably agree that the obligations of IBHL to subscribe for and the obligation of CVie Therapeutics to issue the Series A-2 Shares under the Second Closing (with the maximum amount under the Second Tranche Issuance of up to US\$3,000,000 (as revised as per the supplemental agreement dated 1 March 2013, details of which are set out in the announcement made by the Company on 1 March 2013)) in accordance with the Purchase Agreement, together with the obligations of CCF to make further contribution of US\$3,000,000 under the CCF Contributions to subscribe for additional Ordinary Shares before the Second Closing shall be superseded and terminated such that the parties of the Purchase Agreement shall have no further obligation to proceed for the closing of the subscription of the Series A-2 Shares under the Second Closing in accordance with the Purchase Agreement; and that CCF shall have no further obligations to make a further contribution of US\$3,000,000 under the CCF Contributions to subscribe for additional Ordinary Shares before the Second Closing.

Basis of the consideration

The Series B Purchase Price was determined after arm's length negotiation between the parties to the Series B Shares Purchase Agreement with reference to (1) a fully diluted pre-money valuation as agreed between the parties to the Series B Shares Purchase Agreement; and (2) the total number of issued Shares prior to the issuance of the Series B Shares at the Series B Closing and the total number of shares of CVie Therapeutics to be issued under the Share Plan.

Conditions to the Series B Closing

The obligations of the parties to the Series B Shares Purchase Agreement at the Series B Closing are subject to the fulfilment or waiver, at or before the Series B Closing, of the following, among others, major conditions:

- (1) the warranties under the Series B Shares Purchase Agreement being true, correct and complete when made, and as of the date of Series B Closing with the same force and effect as if they had been made on and as of such date;
- (2) each of the parties to the Series B Shares Purchase Agreement having performed and complied with all agreements, obligations and conditions contained in the Series B Shares Purchase Agreement and all applicable laws in connection with the subscription of the Series B Shares under the Series B Shares Purchase Agreement;
- (3) each of the parties to the Series B Shares Purchase Agreement having obtained any and all consents and waivers necessary for consummation of the Series B Shares Subscription and the transactions as contemplated under the Transaction Documents, including, but not limited to, all permits, authorisations, approvals, consents or licenses of any governmental authority including the Stock Exchange;

- (4) each of CCF and the Company having, to the extent applicable, comply with all applicable listing rules requirement under the Listing Rules necessary for consummation of the Series B Shares Subscription and the transaction as contemplated under the Transaction Documents;
- (5) on or before the Series B Closing, the New Shareholders Agreement, the Series B Indemnification Agreement and the Management Rights Agreements having been executed and delivered;
- (6) all corporate and other proceedings in connection with the Series B Shares Subscription and the transaction as contemplated under the Transaction Documents, and all documents and instruments incident to such transactions having been passed, executed and/or delivered by CVie Therapeutics and CCF in substance and form reasonably satisfactory to IBHL and the New Investors, and each of IBHL and the New Investors having received all such counterpart originals or certified or other copies of such documents as they may reasonably request;
- (7) on or before the Series B Closing, the Restated Charter having duly adopted by the CVie Board and the Shareholders, and having duly filed with the Cayman Islands Registrar of Companies;
- (8) IBHL and the New Investors having completed, to their reasonable satisfaction, all business, legal and financial (including tax and accounting) due diligence review activities relating to the CVie Group;
- (9) the investment committee or board of directors (as the case may be) of each IBHL and the New Investors shall have finally approved the execution of the Series B Shares Purchase Agreement and the Transaction Documents and the transaction as contemplated thereunder;
- (10) the existing Shareholders having passed all necessary resolutions for the appointment of the observer of the CVie Board (as nominated by CDIB) and the Series B Director with effect from the date of the Series B Closing; and
- (11) the employment agreement in form reasonably satisfactory to IBHL and the New Investors have been entered into by CVie Therapeutics with certain key employees.

Representations and warranties

CVie Therapeutics and CCF have jointly and severally given certain representations and warranties to IBHL, LAV and CDIB relating to CVie Therapeutics for a transaction in the nature of the Series B Shares Subscription. In addition, each of IBHL, LAV and CDIB has respectively given certain representations and warranties to CVie Therapeutics relating to itself as a subscriber.

In consideration of the subscription of the Series B Shares by the New Investors (i.e. LAV and CDIB) under the Series B Shares Purchase Agreement, CCF and the Company agree to jointly and severally indemnify, defend and hold harmless each of LAV and CDIB and each of its respective affiliates, general partners, limited partners, members, shareholders, directors and employees and the affiliated parties of the shareholders of each of LAV and CDIB from and against any and all losses, damages, liabilities, liens, claims, obligations, penalties, settlements, deficiencies, proceedings, costs and expenses (including the fees, disbursements and other charges of counsel reasonably incurred by each of them and any third party in connection with any investigation or evaluation of a claim or otherwise) resulting from, arising out of, or due to, directly or indirectly, any breach or violation of, or inaccuracy or misrepresentation in, any representation or warranty made by CVie Therapeutics and CCF; or any breach or violation of any covenant or agreement contained in the Transaction Documents (the “**Indemnity**”).

Series B Closings

The Series B Closings shall take place within 10 Business Days after the fulfilment and/or waiver of the conditions precedent for the Series B Closing. The following tables show the shareholding of CVie Therapeutics immediately after the Series B Closing (on the assumption that no share option is exercised under the Share Plan):

Name of Shareholders	Number of Shares	Percentage of the total issued share capital of CVie Therapeutics (on an as enlarged basis by taking into account the issuance of the Series B Shares and on an as converted basis)
CCF	7,595,238	56.26%
IBHL	4,084,762	30.26%
LAV	1,260,000	9.33%
CDIB	560,000	4.15%
TOTAL	13,500,000	100%

Use of proceeds

The proceeds from the Series B Subscription will be used to develop, manufacture, register, use, market, distribute, promote and sell the products containing the Licensed Assets in the PRC and such other purposes approved by the CVie Board (including the affirmative consent of the Series B Director).

Restated Charter

As a condition precedent to the Series B Closing, the CVie Board and Shareholders shall duly adopt the Restated Charter, which set forth terms governing the rights and obligations of the Shareholders, the major terms of which are as follows:

(1) Conversion of the Preferred Shares into the Ordinary Shares

The holders of the Preferred Shares may, at their sole discretion, convert such number of the Preferred Shares into the Ordinary Shares, and subject to anti-dilution and other customary adjustment provisions as agreed between the holders of the Preferred Shares (in each class of shares) and CVie Therapeutics, the Series A Shares/the Series B Shares are initially convertible into an equal number of the Ordinary Shares. The new Ordinary Shares to be issued upon the conversion from the Series A Shares/Series B Shares shall rank pari passu in all respect with the existing Ordinary Shares.

The Preferred Shares shall be automatically converted into the Ordinary Shares if CVie Therapeutics consummates the Qualified Public Offering or the Qualified M&A, or upon the election by the majority of the Series A Shareholders (for the case of Series A Shares)/at least 60% of the Series B Shareholders (for the case of the Series B Shares).

(2) Redemption right

Subject to the due compliance with the relevant requirements under the Listing Rules, the holders of the Preferred Shares may, at its sole election, require CVie Therapeutics to redeem the Preferred Shares upon the occurrence of certain events such as on the date when another series of redeemable shares of CVie Therapeutics is redeemable or on the date when notice of convening a general meeting of CVie Therapeutics is served for the purpose of approving the redemption of the Ordinary Shares. The redemption price per each of the Preferred Shares shall be the higher of (i) certain percentage figures ranging from 100% to 200% of the Series A-1 Purchase Price (for the Series A-1 Shares) or the Series A-2 Purchase Price (for the Series A-2 Shares) paid per Series A Share; or from 100% to 200% of the Series B Purchase Price (for the Series B Shares) paid per Series B Shares, depending on the length of time after the respective closing plus accrued but unpaid dividends; (ii) the original purchase price paid per Series A-1 Share or the Series A-2 Shares or the Series B Shares (as the case may be) plus an amount that would result in an annual internal rate of return of 18%, compounded annually, measured from the date of the issuance of such Series A-1 Shares or Series A-2 Shares or Series

B Shares; or (iii) the then current fair market value of the Series A-1 Shares or the Series A-2 Shares or the Series B Shares (as the case may be) at the time of redemption (with the understanding that such value will be determined by the CVie Board, acting in good faith, in the event that the securities of CVie Therapeutics are not publicly traded).

If CVie Therapeutics does not have sufficient profits or retained earnings or is otherwise unable for any reason whatsoever to redeem all of the Preferred Shares required to be redeemed, the aggregate redemption amount that remains outstanding shall be converted into a debt to the holders of the Preferred Shares payable in payment schedule mutually agreed by CVie Therapeutics and the holders of the Preferred Shares (with such payment schedule not shorter than 12 months), or if the payment schedule cannot be mutually agreed, CVie Therapeutics shall then be liquidated immediately and the holders of the Preferred Shares shall then be entitled to the higher of (i) the amount payable to the holders of the Preferred Shares upon liquidation of CVie Therapeutics under the Restated Charter; or (ii) the outstanding redemption amount.

The Company will comply with the relevant necessary requirements in compliance with the Listing Rules as appropriate at the time when the redemption is made.

(3) *Dividend right*

CVie Therapeutics shall make special dividend distribution to the Shareholders if and when CVie Therapeutics is determined as a passive foreign investment company or controlled foreign corporation under the United States tax law.

In addition, when (a) CVie Therapeutics (or any of its subsidiaries) satisfies the financial requirements for issuers to list on the main board of the Stock Exchange, and CVie Therapeutics has not submitted a listing application to the Stock Exchange within 6 months following the date on which CVie Therapeutics first satisfies the relevant financial requirements for listing on the main board of the Stock Exchange, and such delay is attributable to or caused by CCF or any member of the CVie Board nominated by CCF; (b) the Major Holders delivers a written request to CVie Therapeutics requiring the payment of dividends; and (c) such request is delivered prior to the consummation of an initial public offering by CVie Therapeutics of any equity securities of CVie Therapeutics (or any of its subsidiaries) on the main board of the Stock Exchange, all Shareholders shall receive dividends, out of funds legally available therefor, at a rate determined by the CVie Board, which shall serve as a continuing dividend obligation of CVie Therapeutics until the date on which CVie Therapeutics successfully consummates a Qualified Public Offering, with the understanding that the Series B Shareholders shall be entitled to receive dividends for each Series B Shares (calculated on an as-converted basis) in an amount equal to 150% of any dividends payable by CVie Therapeutics on each Ordinary Share.

In all other instances, the holders of the Preferred Shares shall carry the rights to receive dividends for each Preferred Share in an amount at least equal to the product of (a) the dividend payable on each Share multiplied by (b) the number of Ordinary Shares issuable upon conversion of each Preferred Share. The payment of dividends to the holders of the Preferred Shares shall be made in preference to any payment of any dividend made to the holders of the Ordinary Shares and all other classes of Shares.

As at the date of this announcement, CVie Therapeutics has not satisfied any relevant financial requirements to consummate a Qualified Public Offering (including but not limited to listing on the main board of the Stock Exchange). CVie Therapeutics may or may not proceed to the Qualified Public Offering.

(4) *Liquidation preference*

In the event of any liquidation, dissolution or winding up of CVie Therapeutics or other similar event as described in the Restated Charter, distributions to Shareholders shall be made in the following manner (after satisfaction of all creditors' claims and claims that may be preferred by law):

- (i) firstly, each Series B Shareholder shall be entitled to receive for each Series B Shares held by such holder, on parity with each other and prior an in preference to any distribution of any of the assets or funds of CVie Therapeutics to the holders of any other class or series of shares by reason of their ownership of such shares, an amount equal to 100% of the Series B Purchase Price (in each case as adjusted for share splits, share combinations, share dividends, reclassifications, recapitalizations and similar events with respect to such Shares), plus all accrued or declared but unpaid dividends, and if the assets and funds of CVie Therapeutics is insufficient for distribution on the above, the entire assets and funds of CVie Therapeutics shall be distributed ratably among the Series B Shareholders in proportion to the amount each Series B Shareholder is otherwise entitled to receive;
- (ii) following the payment in full to the Series B Shareholders, each Series A Shareholder shall then be entitled to receive on a *pari passu* basis, an amount equal to 100% of the Series A-1 Purchase Price (for the Series A-1 Shares) or the Series A-2 Purchase Price (for the Series A-2 Shares) per Share (in each case as adjusted for share splits, share combinations, share dividends, reclassifications, recapitalizations and similar events with respect to such Shares), plus all accrued or declared but unpaid dividends which in no event shall exceed the amount paid for each Series B Share, and if the assets and funds of CVie Therapeutics is insufficient for distribution in the above manner, the remaining entire assets and funds of CVie Therapeutics shall be distributed ratably among the Series A Shareholders in proportion to the amount each Series A Shareholder is otherwise entitled to receive; and
- (iii) the remaining assets of CVie Therapeutics shall then be distributed to the holders of the Preferred Shares and holders of the Ordinary Shares on a pro rata basis.

(5) *Voting rights*

The Series A Shareholders shall be entitled to, in case of class meeting for the Series A Shareholders, one vote for every Series A Share in the class meeting for the Series A Shareholders; and in the case of general meeting for all classes of Shares, one vote for every Series A Share (assuming the Series A Shares held are fully converted).

The Series B Shareholders shall be entitled to, in case of class meeting for the Series B Shareholders, one vote for every Series B Share in the class meeting for the Series B Shareholders; and in the case of general meeting for all classes of Shares, one vote for every Series B Share (assuming the Series B Shares held are fully converted).

The holders of the Ordinary Shares shall be entitled to, in case of class meeting for the holders of the Ordinary Shares, one vote for every Ordinary Share in the class meeting for the holders of the Ordinary Shares; and in the case of general meeting for all classes of Shares, one vote for every Ordinary Share.

CVie Therapeutics may or may not proceed to the Qualified Public Offering, Qualified M&A. CVie Therapeutics may or may not satisfy any relevant financial requirements for consummation of a Qualified Public Offering (including but not limited to the listing on the main board of the Stock Exchange) after the Series B Closings. In addition, no Qualified M&A is contemplating. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

THE NEW SHAREHOLDERS AGREEMENT

As fulfilment of a condition precedent to the Series B Shares Subscription, CVie Therapeutics, CCF, IBHL, the New Investors and the Company will enter into the New Shareholders Agreement, which set forth terms governing the rights and obligations of CCF, IBHL, the New Investors and the Company as the Shareholders. The major terms of the New Shareholders Agreement are as follows:

Date

To be entered into on the date of the Series B Closing

The parties

- (1) CVie Therapeutics as the subject company;
- (2) CCF as the Shareholder;
- (3) IBHL as the Shareholder;

- (4) LAV as the Shareholder;
- (5) CDIB as the Shareholder; and
- (6) the Company as the parent company of CCF.

CVie Board representation

The size of the CVie Board shall be 4 directors, comprising the Series A Director, the Series B Director, the LPH Director and an independent director jointly appointed by CCF and the Major Holders. IBHL shall be entitled to appoint the Series A Director so long as IBHL continue to hold the Series A Shares (and/or the Ordinary Shares issued upon conversion of the Preferred Shares) representing at least 10% of the total issued shares of CVie Therapeutics. LAV shall be entitled to appoint the Series B Director so long as LAV continue to hold the Series B Shares (and/or the Ordinary Shares issued upon conversion of the Series B Shares) representing at least 5% of the total issued shares of CVie Therapeutics. CCF shall be entitled to appoint the LPH Director.

CDIB shall be entitled to appoint one observer to the CVie Board. Such observer has no voting right in any meeting of the CVie Board.

The quorum of the CVie Board shall be 3 directors, including at least the Series B Director.

Prohibited transfer

Except for the Permitted Transfer, the Company or CCF cannot assign, transfer, pledge, hypothecate, mortgage, encumber, or otherwise dispose of any Shares held by it to any person until the earlier to occur of (i) immediately prior to the consummation of a Qualified M&A, or (ii) immediately prior to the closing of a Qualified Public Offering, except with the prior written consent of the Major Holders.

Right of first refusal – Transfer by the Series B Shareholders

Except for the Permitted Transfer, all Series B Shareholders (except for the selling Series B Shareholder who desired to sell its Series B Shares or Ordinary Shares) shall have a right of first refusal, exercisable within a period of 30 Business Days, to purchase such Series B Shares or Ordinary Shares proposed to be transferred by any selling Series B Shareholders who desired to sell its Series B Shares or Ordinary Shares, on the same terms and conditions, in the proportion to all such non-selling Series B Shareholder's holding of Ordinary Shares (assuming the Series B Shares held are fully converted).

Holder of the Ordinary Shares and Series A Shares shall then have a second right of first refusal, exercisable within a period of 30 Business Days, to purchase all or any portion of the Series B Shares or Ordinary Shares proposed to be transferred by the selling Series B Shareholders that are not purchased by the Series B Shareholders exercising their right of first refusal above, on the same terms and conditions, in the proportion to all such shareholding of all such holders of the Ordinary Shares and the Series A Shares (according to their holdings on the Ordinary Shares, on an as converted basis, including the Ordinary Shares as converted from the Series A Shares only (but excluding any Ordinary Shares as converted from the Series B Shares)).

Drag-along right

In the event that prior to the Qualified Public Offering (1) the holders of a majority interest of the outstanding Ordinary Shares; and (2) the Major Holders, each voting as a separate class, approve any transaction in which all or substantially all of the assets or equity securities of CVie Therapeutics will be sold and that the valuation of CVie Therapeutics in such sale transaction is no less than US\$250,000,000, then each Shareholder shall be required to approve such sale transaction, and to sell on the same terms and conditions all its Shares.

In addition, if at any time after 3 August 2016, the Major Holders notify CVie Therapeutics in writing that such holders intend to seek sale transaction in which all or substantially all of the assets or equity securities of CVie Therapeutics will be sold and that the valuation of CVie Therapeutics in such sale transaction is no less than US\$250,000,000, the holders of a majority in interest of the outstanding Ordinary Shares will have a right of first offer to acquire the Shares held by the Series A Shareholders and the Series B Shareholders, exercisable within 20 Business Days following the receipt of such sale notice setting forth the price and general terms upon which such holders of a majority in interest of the outstanding Ordinary Shares propose to acquire the Shares held by the Series A Shareholders and the Series B Shareholders. However, if (1) the holders of a majority in interest of the outstanding Ordinary Shares fail to exercise the aforesaid right of first offer or the Major Holders refuse to sell their Shares; and (2) the Major Holders approved a sale transaction proposed by a bona fide third party with (i) the transaction value not being less than that as offered by the holders of a majority in interest of the outstanding Ordinary Shares above; (ii) with such terms and price not less favourable than the those proposed terms offered by the holders of a majority in interest of the outstanding Ordinary Shares (if any); and (iii) the aggregate purchase price payable is at the price of not less than three times of the Series B purchase Price, each Shareholder (including the Series A Shareholders, the Series B Shareholders and the holders of the Ordinary Shares) shall then sell and transfer the Shares held by each of them to such third party.

CVie Therapeutics may or may not proceed to the sale transaction as mentioned above. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

Ownership adjustment in CVie Therapeutics upon the occurrence of the Relevant Events

As provided in the Series B Shares Purchase Agreement, it is agreed that each Shareholders (including CCF and the Company) shall, in the event CVie Therapeutics fails to close a Qualified Public Offering or consummate a Qualified M&A before 3 August, 2016 (the “**Relevant Events**”) and as soon as practicable after the occurrence of the Relevant Events, use its best endeavours to procure the Further Acquisition Right be granted to each of IBHL and the New Investors. Upon the occurrence of the Relevant Events, each Shareholder (including CCF and the Company) and CVie Therapeutics shall then use their best endeavours to cooperate and take all actions necessary to effect the grant of the Further Acquisition Right, and the exercise of the Further Acquisition Right (if such right is granted after the occurrence of the Relevant Events). Such additional number of Series A Shares and Series B Shares purchased by IBHL and the New Investors shall carry the same rights and privileges as of those Series A Shares and Series B Shares as currently issued.

Relevant necessary requirements in compliance with the Listing Rules (including but without limitation the obtaining of the approval from the shareholders of the Company for the grant and/or exercise of the Further Acquisition Right and/or the acquisition of such additional number of Series A Shares and Series B Shares upon the exercise of the Further Acquisition Right, if necessary) will be complied with at the time when the Further Acquisition is granted to and/or exercised by IBHL or the New Investors (as the case may be) and/or at the time when the acquisition of such additional number of Series A Shares and Series B Shares is made upon the exercise of the Further Acquisition Right.

Right of first refusal for taking up the pipeline product and/or for considering an opportunity to license-in and/or develop the products relating to treatment of cardiovascular disease in humans

If the Company and/or CCF proposes to assign, transfer, pledge, hypothecate, mortgage, encumber license-out, lease out, or otherwise dispose of any rights to any pipeline product relating to treatment of cardiovascular disease in humans owned by the Company and/or CCF to any third parties, the Company and/or CCF shall then serve a written notice to CVie Therapeutics prior to such transfer, and at such point of time when such written notice is served, subject to the due compliance with the relevant requirements under the Listing Rules, grant to CVie Therapeutics a right under which, CVie Therapeutics shall have a right of first refusal, exercisable within a period of 30 Business Days, to purchase such pipeline product proposed to be transferred by the Company and/or CCF on the same (or not less favourable) terms and conditions on such proposed transfer.

In addition, the Company and CCF agrees that in the event any of the Company, CCF and/or its affiliates encounters an opportunity to license-in and/or develop any types of product relating to the treatment of cardiovascular disease in humans after the Closing (other than that as excluded under the New Shareholders Agreement), it shall at such point of time, subject to the due compliance with the relevant requirements under the Listing Rules, grant to CVie Therapeutics the right of first refusal, exercisable within a period of 30 Business Days, to consider and decide if CVie Therapeutics shall take up such opportunity to license-in and/or development of such products relating to the treatment of cardiovascular disease in humans.

Relevant necessary requirements in compliance with the Listing Rules will be complied with at the time when any of the right is granted and/or any actual purchase is carried out.

CVie Therapeutics may or may not proceed to the Qualified Public Offering, Qualified M&A. CVie Therapeutics may or may not satisfy any relevant financial requirements for consummation of a Qualified Public Offering (including but not limited to the listing on the main board of the Stock Exchange) after the Series B Closings. In addition, no Qualified M&A is contemplating. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

SERIES B INDEMNIFICATION AGREEMENT

As fulfilment of a condition precedent to the Series B Shares Subscription, the Series B Indemnification Agreement (terms of which are agreed when the Series B Shares Purchase Agreement is entered into) will be entered into on the date of the Series B Closing. The major terms of the Series B Indemnification Agreement are as follows:

Date

To be entered into on the date of the Series B Closing

The parties

- (1) CVie Therapeutics as an indemnifier;
- (2) the Series B Director as an indemnitee; and
- (3) LAV as an indemnitee.

To the best of knowledge, information and belief of the Directors having made all reasonable enquiries, LAV and its ultimate beneficial owners (where applicable) and the Series B Director, are Independent Third Parties as at the date of this Announcement and the date of the Series B Closing.

Indemnification for the Series B Director

Pursuant to the Series B Indemnification Agreement, CVie Therapeutics undertakes primary obligations to indemnify the Series B Director, to the fullest extent permitted by law, if the Series B Director was or is or becomes a party to or other participant in, or is threatened to be made a part to or witness, any claim related to the fact that he is or was a director, officer, employee, agent or fiduciary of CVie Therapeutics or its subsidiary, or is or was serving at the request of CVie Therapeutics in such capacity, or by reason of any action or inaction on his part while serving in such capacity or as a result of any claim made by any Shareholder against him and arising out of or related to any round of financing of CVie Therapeutics, or made by a third party against him based on any misstatement or omission of a material fact by CVie Therapeutics, except such claims as shall incur or sustain by or through gross negligence, misconduct or willful default on the part of the Series B Director, against any and all expenses (including attorneys' fees and all other costs, expenses and obligations incurred in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to defend, be a witness in or participate in, any such claim), judgments, fines, penalties and amounts paid in settlement (if, and only if, such settlement is approved in advance by CVie Therapeutics, which approval shall not be unreasonably withheld) of such claim and any taxes imposed on him as a result of the receipt of any payments under the Series B Indemnification Agreement, including all interest, assessments and other charges paid or payable in connection with or in respect of such expenses.

Indemnification for LAV and its affiliated persons

Further, pursuant to the Series B Indemnification Agreement, CVie Therapeutics agrees to indemnify each of LAV and its affiliated persons that, if and whenever LAV or its affiliated persons is or was a party or is threatened to be made a party to or is in any way involved in any claim (including without limitation any such claim brought by or in the right of CVie Therapeutics), by reason of (i) the fact that the Series B Director is or was an agent of CVie Therapeutics, (ii) anything done or not done by the Series B Director in such capacity, or (iii) the fact that LAV or its affiliated persons is or was acting as an express agent of CVie Therapeutics upon the request of CVie Therapeutics and solely for the benefit of CVie Therapeutics, against all expenses incurred by LAV and its affiliated persons or on their behalf in connection with such claim (including but not limited to in connection with the investigation, defense, settlement or appeal of such claim) except to the extent that any such expenses arise from a claim for which the Series B Director is not entitled to indemnification pursuant to the Series B Indemnification Agreement or under applicable law.

CVie Therapeutics' obligation to provide indemnification pursuant to the Series B Indemnification Agreement is subject to certain exceptions and limitations set out therein. In particular, the maximum liability of CVie Therapeutics shall not exceed the amount of proceeds received by CVie Therapeutics from LAV in connection with the sale and issuance of the Series B Shares.

EFFECT OF THE SERIES B CLOSINGS

As at the date of this announcement, the Company holds 7,595,238 Ordinary Shares, representing 70.98% of the total issued share capital of CVie Therapeutics (on an as converted basis) as at the date of this announcement, while IBHL holds 3,104,762 Series A Shares, representing 29.02% of the total issued share capital of CVie Therapeutics (on an as converted basis) as at the date of this announcement. Based on the total number of issued share capital of CVie Therapeutics (on an as enlarged basis by taking into account the issuance of the Series B Shares and on an as converted basis, and on the assumption that no share option is exercised under the Share Plan) as at the date of the Series B Closing, the Company's equity interest in CVie Therapeutics (through CCF) will, immediately after the Series B Closing, be reduced to 56.26% of the total issued share capital of CVie Therapeutics, while IBHL, LAV and CDIB will then, immediately after the Series B Closing, hold an aggregate of 43.74% of the total issued share capital of CVie Therapeutics.

The accounts of CVie Therapeutics will still be consolidated into the financial statement of the Group. As CVie Therapeutics remains a subsidiary of the Company, the difference between the fair value of the equity of CVie Therapeutics disposed of and the consideration for the Series B Shares Subscription will be recognized directly to the equity of the Group upon the closing of the deemed disposal of the Series B Shares Subscription.

GENERAL INFORMATION OF IBHL

IBHL, incorporated in British Virgin Islands, is an investment holding company.

GENERAL INFORMATION OF LAV

LAV, incorporated in the Cayman Islands, is an exempted limited partnership.

GENERAL INFORMATION OF CDIB

CDIB, incorporated in Taiwan, is an investment holding company.

GENERAL INFORMATION OF CVIE THERAPEUTICS

CVie Therapeutics is an exempted company with limited liability incorporated on 5 April 2012 under the laws of the Cayman Islands. As at the date of this announcement, CVie Therapeutics is an indirect non-wholly owned subsidiary of the Company. CVie Therapeutics has obtained the license rights for the pharmaceutical products containing Rostafuroxin, Istaroxime and SERCA2a Compounds from Sigma-Tau Industrie Farmaceutiche Riunite S.p.A., and ROSTAQUO S.p.A., details of which are disclosed in the announcement made by the Company on 24 May 2012. In addition, CVie Therapeutics has obtained the license rights to market, distribute and sell Remodulin (treprostiril) Injection and Kalbitor (ecallantide) Injection from the Independent Third Parties. CVie Therapeutic has no trading transaction nor business income as at the date of this announcement.

The unaudited net loss of CVie Therapeutics (both before and after taxation) for the six months period ended 30 June 2013 are the same and are HK\$1,056,000.

GENERAL INFORMATION OF THE GROUP

The Group consists of research-driven and market-oriented biopharmaceutical companies 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 sales and distribution network for pharmaceuticals covering most provinces and cities in the PRC, marketing both self-developed products and licensed products from abroad.

REASONS FOR AND BENEFITS OF THE SERIES B SHARES SUBSCRIPTION

The Company, through CVie Therapeutics, is diversifying its business scope in the manufacturing and sales of new pharmaceutical products. In connection with such objective, the Series B Subscription would provide CVie Therapeutics with additional funding to develop, manufacture, distribute and/or sale the new pharmaceutical products. The Indemnity provided under the Series B Shares Purchase Agreement and the indemnification provided under the Series B Indemnification Agreement are provided because of and in consideration of the subscription of the Series B Shares by the New Investors under the Series B Share purchase Agreement. The Directors, including the independent non-executive Directors, considered that the terms of the Transaction Documents (including the Indemnity provided under the Series B Shares Purchase Agreement and the indemnification provided under the Series B Indemnification Agreement), which has been signed after arm's length negotiation between the parties, are on normal commercial terms, and the terms therein are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

LISTING RULES IMPLICATIONS

IBHL is a substantial shareholder of CVie Therapeutics, holding 3,104,762 Series A Shares, representing 29.02% of the total issued share capital of CVie Therapeutics (on an as converted basis) as at the date of this announcement, and CVie Therapeutics is a non-wholly owned subsidiary of the Company. Therefore, IBHL is a connected person of the Company under the Listing Rules. Accordingly, the IBHL's Subscription and the transactions as contemplated under the Transaction Documents constitute connected transactions of the Company under Chapter 14A of the Listing Rules. The applicable percentage ratios under the Listing Rules in respect of the subscription of the Series A-2 Shares at the Stage 1 Closing made by IBHL, together with the IBHL's Subscription and the transactions as contemplated under the Transaction Documents in aggregate, does not exceed 5% and because of this, in accordance with Rule 14A.32 of the Listing Rules, the IBHL's Subscription and the transactions as contemplated under the Transaction Documents are only subject to the reporting and announcement requirements and are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

None of the Directors has a material interest in the IBHL's Subscription and is required to abstain, or has abstained, from voting on the relevant Board resolutions to approve the IBHL's Subscription.

Regarding the Indemnity provided to the New Investors under the Series B Shares Purchase Agreement and the indemnification provided to LAV and the Series B Director under the Series B Indemnification Agreement, as the applicable percentage ratios in respect of such transactions for the provision of the indemnities calculated under Chapter 14 of the Listing Rules are more than 5% but less than 25%, each of the Indemnity provided under the Series B Shares Purchase Agreement and the indemnification provided under the Series B Indemnification Agreement 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 meanings set out below unless the context requires otherwise:

“Board”	the board of Directors
“Business Day(s)”	any day other than a Saturday, Sunday or other day on which commercial banks in the PRC, Hong Kong or New York 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
“CCF”	China Cardiovascular Focus Limited, a company incorporated and existing under the laws of the British Virgin Islands
“CCF Contributions”	Contribution of US\$2,000,000 in cash made by CCF to CVie Therapeutics before the Initial Closing, and further contribution of US\$3,000,000 in cash to be made by CCF to CVie Therapeutics on or within 5 Business Days prior to the Second Closing.
“CDIB”	CDIB Venture Capital Corporation, a company with limited liability and incorporated under the laws of Taiwan
“Company”	Lee’s Pharmaceutical Holdings Limited, a company incorporated in the Cayman Islands with limited liability with its issued shares listed on the main board of the Stock Exchange

“connected persons”	having the meaning as ascribed under the Listing Rules
“CVie Board”	the board of directors of CVie Therapeutics
“CVie Group”	collectively CVie Therapeutics and any other entities that is directly or indirectly controlled by CVie Therapeutics
“CVie Therapeutics”	CVie Therapeutics Company Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands
“Directors”	the director(s) of the Company
“First Tranche Issuance”	issuance of 1,904,762 Series A-1 Shares to IBHL at the Series A-1 Purchase Price
“Further Acquisition Right”	a right to be granted to IBHL and the New Investors which allows them to purchase, at their discretion, additional number of Series A Shares and Series B Shares at a fair market value determined by the CVie Board in good faith such that the total number of Preferred Shares and Ordinary Shares held by IBHL and the New Investors, in aggregate, shall account for no less than 51% of the total issued shares of CVie Therapeutics (calculated on a fully diluted and as converted basis and taking into account 500,000 Ordinary Shares for issuance under the Share Plan)
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“IBHL”	Ivy Blue Holdings Limited, a company with limited liability and incorporated under the laws of British Virgin Islands
“IBHL’s Subscription”	the subscription of 980,000 Series B Shares by IBHL under the Series B Shares Purchase Agreement

“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
“Indemnity”	having the meaning as defined in sub-section headed “Representations and warranties” of the section headed the “Series B Shares Purchase Agreement” in this Announcement
“Initial Closing”	the closing of the First Tranche Issuance
“LAV”	Lilly Asia Ventures Fund II L.P., a Cayman Islands exempt limited partnership
“Licensed Assets”	the grant of exclusive rights (1) by an Independent Third Party to market, distribute, promote and sell Remodulin (treprostiril) Injection in the PRC; (2) by Sigma-Tau Industrie Farmaceutiche Riunite S.p.A and/or its affiliates, namely ROSTAQUO S.p.A., to develop, register, manufacture, import, export, make, use, market, distribute, sell and otherwise deal with the pharmaceutical products containing Rostafuroxin, Istaroxime and SERCA2a Compounds as one active ingredient; and (3) by an Independent Third Party to market, distribute and sell Kalbitor (ecallantide) Injection in the PRC, Hong Kong and Macau Special Administrative Region of the PRC
“LPH Director”	a director of the CVie Board in which CCF are entitled to appoint
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Major Holders”	holders representing more than 50% of the then issued and outstanding Series A Shares and the holders representing at least 60% of the then issued and outstanding Series B Shares (in each case, through holding (i) meeting for the Series A Shareholders to vote together as a single class; and (ii) the meeting for the Series B Shareholders to vote together as a single and separate class)

“Management Rights Agreement”	the management rights agreements to be entered into between CVie Therapeutics and each of the New Investors pursuant to which CVie Therapeutics agrees to allow each of the New Investors to, among others, make consultation and/or obtain documents and reports in connection with the management affairs of CVie therapeutics
“New Investors”	CDIB and LAV
“New Shareholders Agreement”	the shareholders agreement to be entered into among CVie Therapeutics, CCF, IBHL, the New Investors and the Company setting out the rights and obligations of CCF, IBHL, the New Investors and the Company as the Shareholders, which shall replace the Shareholders Agreement with effect from the date of the New Shareholders Agreement
“Ordinary Share(s)”	ordinary share(s), par value US\$0.01 per share of CVie Therapeutics
“Permitted Transfer”	the transfer of the Shares to the affiliates of the existing Shareholders as permitted under the New Shareholders Agreement
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Preferred Shares”	Series A Shares and Series B Shares collectively
“Purchase Agreement”	the series A preference share purchase agreement dated 6 July 2012 (as supplemented by the supplemental agreement dated 1 March 2013) entered into by, among CVie Therapeutics, CCF, IBHL and the Company for the issuance and allotment of the Series A Shares pursuant to the terms and conditions set forth therein
“Qualified M&A”	means a merger, acquisition or consolidation of CVie Therapeutics, substantially all of its assets or its subsidiary pursuant to which the consideration for each Share held by IBHL and the New Investors, on an as-converted basis, has a value of at least three times the Series B Purchase Price

“Qualified Public Offering”	means the closing of a firm commitment underwritten public offering of the securities of CVie Therapeutics on an internationally recognized stock exchange (including without limitation, the Stock Exchange and GreTai Securities Market), managed by a lead underwriter of international standing reasonably acceptable to each of IBHL, LAV and CDIB, with the price for each Share held by them, on an as-converted basis, has a value of at least three times the Series B Purchase Price
“Relevant Events”	having the meaning as defined in sub-section headed “Ownership adjustment in CVie Therapeutics upon the occurrence of the Relevant Events” of the section headed “the New Shareholders Agreement” in this Announcement
“Restated Charter”	the second amended and restated memorandum and articles of association of CVie Therapeutics to be adopted on or before the Series B Closing
“Second Closing”	the closing of the Second Tranche Issuance
“Second Tranche Issuance”	issuance of such number of Series A-2 Shares to IBHL at the Series A-2 Purchase Price
“Series A Director”	a director of the CVie Board in which IBHL shall be entitled to appoint
“Series A Shares”	collectively the Series A-1 Shares and the Series A-2 Shares
“Series A Shareholder”	holder of the Series A Shares
“Series A-1 Shares”	Series A-1 redeemable convertible preference shares, par value US\$0.01 per share of CVie Therapeutics
“Series A-1 Purchase Price”	the purchase price of US\$2.1 per Series A-1 Share
“Series A-2 Shares”	Series A-2 redeemable convertible preference shares, par value US\$0.01 per share of CVie Therapeutics
“Series A-2 Purchase Price”	the purchase price of US\$3 per Series A-2 Share

“Series B Closing”	the closing of issuance of 2,800,000 Series B Shares to IBHL and the New Investors at the Series B Purchase Price under the Series B Shares Purchase Agreement
“Series B Director”	a director of the CVie Board in which LAV shall be entitled to appoint at the Series B Closing
“Series B Indemnification Agreement”	the indemnification agreement to be entered into among CVie Therapeutics, the Series B Director and LAV pursuant to which CVie Therapeutics agrees to provide indemnification for the Series B Director and LAV and its affiliated persons against expenses in respect of certain claims set forth therein
“Series B Purchase Price”	the purchase price of US\$3.5714 per Series B Share
“Series B Shares”	Series B redeemable convertible preference shares, par value US\$0.01 per share of CVie Therapeutics
“Series B Shareholder”	holder of the Series B Shares
“Series B Shares Purchase Agreement”	the series B preference share purchase agreement dated 12 August 2013 entered into by, among CVie Therapeutics, CCF, IBHL, the New Investors and the Company for the issuance and allotment of the Series B Shares pursuant to the terms and conditions set forth therein
“Series B Shares Subscription”	the subscription of the Series B Shares by IBHL and the New Investors under the Series B Shares Purchase Agreement
“Share(s)”	shares in CVie Therapeutics, including the Ordinary Shares, the Series A Shares and the Series B Shares
“Shareholders”	shareholders of CVie Therapeutics
“Shareholders Agreement”	the shareholders agreement entered into among CVie Therapeutics, CCF, IBHL and the Company setting out the rights and obligations of CCF, IBHL and the Company as the Shareholders on 3 August 2012

“Share Plan”	the share incentive plan for the issuance of 500,000 Ordinary Shares to officers, directors, employees and consultants of CVie Therapeutics as approved by the shareholders of the Company on 12 November 2012
“Stage 1 Closing”	the closing of the subscription of 1,200,000 Series A-2 Shares under the Purchase Agreement which took place in March 2013
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	subscription of the Series A Shares by IBHL as contemplated under the Purchase Agreement
“Transaction Documents”	collectively, the Series B Shares Purchase Agreement, the New Shareholders Agreement, Management Rights Agreement, the Series B Indemnification Agreement and the Restated Charter
“US\$”	United States dollars, the lawful currency of the United States
“United States”	United States of America
“%”	Per cent

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

Hong Kong, 12 August 2013

As at the date thereof, Ms. Lee Siu Fong (Chairman), Ms. Leelertsuphakun Wanee and Dr. Li Xiaoyi are executive Directors; Mr. Mauro Bove is non-executive Director, Dr. Chan Yau Ching, Bob, Mr. Lam Yat Cheong and Dr. Tsim Wah Keung, Karl are independent non-executive Directors.