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## **LANSEN PHARMACEUTICAL HOLDINGS LIMITED**

朗生醫藥控股有限公司

*(incorporated in the Cayman Islands with limited liability)*

**(Stock code: 503)**

### **CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE EXECUTION OF AN ENTRUSTED PROCESSING FRAMEWORK AGREEMENT**

The Board announces that on 20 September 2016, Lanser (BVI), a wholly-owned subsidiary of the Company entered into the Entrusted Processing Framework Agreement with Natural Dailyhealth (BVI) (formerly Haotian (BVI)) pursuant to which, Lanser (BVI) agrees to assist or procure its subsidiaries to assist Natural Dailyhealth (BVI) to process the Plant Extract Products.

Lanser (BVI) and CI Biotechnology own 30% and 70% equity interests in Natural Dailyhealth (BVI) respectively. CI Biotechnology is a wholly-owned subsidiary of CIH, of which CIH in turn owns 50.56% of the equity interest in the Company. CIH is a substantial Shareholder of the Company and a connected person of the Company. Natural Dailyhealth (BVI), being an associate of CIH, is a connected person of the Company. Accordingly, the transactions contemplated under the Entrusted Processing Framework Agreement therefore constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since the highest applicable percentage ratio calculated with reference to the highest Annual Cap is more than 0.1% but less than 5%, the Entrusted Processing Framework Agreement is subject to the reporting, annual review and announcement requirements, but is exempt from the independent shareholders' approval requirement, under Chapter 14A of the Listing Rules.

#### **A. INTRODUCTION**

The Board announces that on 20 September 2016, Lanser (BVI), a wholly-owned subsidiary of the Company entered into the Entrusted Processing Framework Agreement with Natural Dailyhealth (BVI) pursuant to which, Lanser (BVI) agrees to assist or procure its subsidiaries to assist Natural Dailyhealth (BVI) to process the Plant Extract Products.

#### **B. THE ENTRUSTED PROCESSING FRAMEWORK AGREEMENT**

The terms of the Entrusted Processing Framework Agreement have been arrived at after arm's

length negotiations between the Parties and the principal terms of which are set out below.

## **Date**

20 September 2016

## **Parties**

- (a) Lansen (BVI), a wholly-owned subsidiary of the Company; and
- (b) Natural Dailyhealth (BVI), a company which is 70% owned by CI Biotechnology and 30% owned by Lansen (BVI).

## **Transaction Nature**

Pursuant to the Entrusted Processing Framework Agreement, Natural Dailyhealth (BVI) may, during the Term entrust Lansen (BVI) with the processing of the Plant Extract Products on an order-by-order basis.

## **Pricing basis**

The process fee will be charged on a cost-plus basis, representing all costs incurred by Lansen (BVI) in relation to the processing of the product plus a mark-up rate of 10% of such costs (the "Processing Fee").

The Process Fee was arrived after taking into consideration that (1) the cost-plus basis is one of the common pricing standards adopted in plant extract markets; and (2) the Lansen (BVI) Group does not need to incur marketing expenses in the transactions contemplated under the Entrusted Processing Framework Agreement.

The maximum value of the transactions between the Parties contemplated under the Entrusted Processing Framework Agreement during the Term will be RMB80 million (approximately HK\$93 million or US\$12 million).

## **Processing Orders**

The Parties will enter into, from time to time and as necessary, separate processing orders for each specific transaction contemplated under the Entrusted Processing Framework Agreement during the Term. Each order will set out the specific products, price, payment and other relevant specifications. If a customer requires that the actual processor of the Plant Extract Products be the contractual party to the processing order contract concerned, Natural Dailyhealth (BVI) may request the actual processor member of the Lansen (BVI) Group ("the Contractual Member"), acting as Natural Dailyhealth (BVI)'s agent, to enter into the processing order contract with such customer. The Contractual Member shall only receive the payment from such customer as an agent of Natural Dailyhealth (BVI), and the processing fee entitled by the Contractual Member shall be the Processing Fee only.

As the processing orders provide for products as contemplated by the Parties under the Entrusted Processing Framework Agreement, as such, they do not constitute new categories of connected transactions for the Company. Any such processing order will be within the ambit of the Entrusted Processing Framework Agreement including the Annual Caps.

## **Term**

The term of the Entrusted Processing Framework Agreement will commence on 20 September 2016 and will expire on 31 December 2018 (subject to any extension which may be agreed by the Parties), unless terminated by either Party by giving the other written notice of termination at least one month prior to the effective date of such termination.

### C. ANNUAL CAPS FOR THE ENTRUSTED PROCESSING FRAMEWORK AGREEMENT

In accordance with Rule 14A.53 of the HK Listing Rules, the Group has capped the value of its annual transactions under the Entrusted Processing Framework Agreement with Natural Dailyhealth (BVI), as set out below:-

Relevant period	Annual Cap		
	(RMB)	approximately (HK\$)	approximately (US\$)
From 20 September 2016 to 31 December 2016	20 million	23 million	3.0 million
From 1 January 2017 to 31 December 2017	30 million	35 million	4.5 million
From 1 January 2018 to 31 December 2018	30 million	35 million	4.5 million

The Annual Caps were arrived at after taking into account the following:-

- (a) the current production capacity of the Lansen (BVI) Group in plant extraction;
- (b) the business and sales plan of the Natural Dailyhealth (BVI) Group together with their capacity restrictions in relation to plant extraction.

### D. REASONS FOR AND BENEFITS OF THE ENTRUSTED PROCESSING FRAMEWORK AGREEMENT

According to the shareholders' agreement dated 24 March 2016 entered by and between Lansen (BVI), CI Biotechnology and Natural Dailyhealth (BVI) in relation to the management of Natural Dailyhealth (BVI) and the rights of the Lansen (BVI) and CI Biotechnology as shareholders to Natural Dailyhealth (BVI), it is acknowledged that Natural Dailyhealth (BVI) shall be the only platform through which they together will develop, operate and manage plant extract and health businesses. Unless otherwise agreed by Lansen (BVI) and CI Biotechnology, each of Lansen (BVI) and CI Biotechnology shall not, and shall procure their affiliates not to, carry on or be employed, engaged or interested in any business which would be in competition with Natural Dailyhealth Group, subject to certain exceptions.

While the plant extract production capacity of the Lansen (BVI) Group is solely used to produce raw material for its specialty drugs, it is expected that the Lansen (BVI) Group might still have surplus production capacity over the short-to-medium term after meeting its specialty drugs' requirement. Therefore, the execution of the Entrusted Processing Framework Agreement will enable the Lansen (BVI) Group to utilise its surplus production capacity, if any, and generate contribution. There is no obligation on Lansen (BVI) to take up processing orders from Natural Dailyhealth (BVI) under the Entrusted Processing Framework Agreement. Taking into consideration that the cost-plus basis is one of the common pricing standards adopted in plant extract markets and the Lansen (BVI) Group

does not need to incur marketing expenses in the transactions contemplated under the Entrusted Processing Framework Agreement, the pricing basis is considered reasonable.

The Directors (including the independent non-executive Directors) considered that the Entrusted Processing Framework Agreement has been entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms thereof are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

#### **E. IMPLICATIONS OF THE ENTRUSTED PROCESSING FRAMEWORK AGREEMENT UNDER THE HK LISTING RULES**

Lansen (BVI) is a wholly-owned subsidiary of the Company. As at the date of this announcement, Lansen (BVI) and CI Biotechnology own 30% and 70% equity interests in Natural Dailyhealth (BVI) respectively. CI Biotechnology is a wholly-owned subsidiary of CIH, of which CIH in turn owns 50.56% of the equity interest in the Company. CIH is a substantial Shareholder of the Company and a connected person of the Company. Natural Dailyhealth (BVI), being an associate of CIH, is a connected person of the Company. Accordingly, the transactions contemplated under the Entrusted Processing Framework Agreement therefore constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since the highest applicable percentage ratio calculated with reference to the highest Annual Cap is more than 0.1% but less than 5%, the Entrusted Processing Framework Agreement is subject to the reporting, annual review and announcement requirements, but is exempt from the independent shareholders' approval requirement, under Chapter 14A of the Listing Rules.

Mr. Lee Jin Yi is the common director of the Company, Natural Dailyhealth (BVI) and CIH, and Ms. Liu Xue Zi is the common director of the Company and Natural Dailyhealth (BVI), but they do not hold any equity interest in Natural Dailyhealth (BVI), they therefore do not consider themselves to have material interests in the transaction contemplated under the Entrusted Processing Framework Agreement. They have not abstained from voting on the resolutions of the Board to approve the Entrusted Processing Framework Agreement.

#### **F. INFORMATION RELATING TO THE GROUP, LANSEN (BVI) AND NATURAL DAILYHEALTH (BVI)**

The Group is engaged in the manufacturing, distribution and development of specialty prescription drugs for the treatment of autoimmune disorder in rheumatology and dermatology. The Group is in a leading market position in disease-modifying antirheumatic drugs for the treatment of rheumatoid arthritis in the PRC. The Group has established an extensive distribution network, covering more than 1,000 hospitals in four municipalities, 25 provinces and cities in the PRC.

Lansen (BVI) is a wholly and directly owned subsidiary of the Company, incorporated in the British Virgin Islands with limited liability. It is principally engaged in investment holding.

Natural Dailyhealth (BVI) (formerly Haotian (BVI)) is incorporated in the British Virgin Islands with limited liability and principally engaged in investment holding. Natural Dailyhealth (BVI)'s wholly owned subsidiaries are primarily engaged in the production and sale of plant extracts as ingredients for health products. As of the date of this announcement, Lansen (BVI) and CI Biotechnology own as to 30% and 70% interests in Natural Dailyhealth (BVI) respectively.

## G. DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:-

“Annual Caps”	the estimated maximum annual value of the transactions under the Entrusted Processing Framework Agreement for the period ending 31 December 2016, 31 December 2017 and 31 December 2018
“associate(s)”	has the meaning given to it under the HK Listing Rules
“Board”	the board of Directors
“CIH”	Cathay International Holdings Limited, a company incorporated in Bermuda and whose shares are listed on the London Stock Exchange Group plc., the controlling shareholder of the Company
“CI Biotechnology”	Cathay International Biotechnology and Pharmaceutical (China) Limited, a company incorporated in the British Virgin Islands with limited liability
“Company”	Lansen Pharmaceutical Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability whose shares are listed and traded on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning given to it under the HK Listing Rules
“continuing connected transactions”	has the meaning given to it under the HK Listing Rules
“Directors”	the directors of the Company
“Entrusted Processing Framework Agreement”	the Entrusted Processing Framework Agreement entered into on 20 September 2016 between Lansen (BVI) and Natural Dailyhealth (BVI)
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Natural Dailyhealth (BVI)”	Natural Dailyhealth Holdings Limited (formerly known as Haotian Holdings Limited), a company incorporated in the British Virgin Islands with limited liability. Lansen (BVI) and CI Biotechnology own 30% and 70% equity interests in Natural Dailyhealth (BVI).
“Natural Dailyhealth Group”	Natural Dailyhealth (BVI) and its subsidiaries
“HK Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Lansen (BVI)”	Lansen Pharmaceutical Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly and directly-owned subsidiary of the Company
“Lansen (BVI) Group”	Lansen (BVI) and its subsidiaries
“Parties”	collectively, Lansen (BVI) and Natural Dailyhealth (BVI)
“percentage ratios”	the percentage ratios under Rule 14.07 of the HK Listing Rules
“PRC”	The People’s Republic of China
“Plant Extract Products”	plant extraction components and raw materials for producing healthcare products
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Term”	the term of the Entrusted Processing Framework Agreement, which is the period commencing from 20 September 2016 and ending on the earlier of (i) termination of the Entrusted Processing Framework Agreement; and (ii) 31 December 2018 (subject to any extension which may be agreed by the Parties)
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

By order of the Board  
**Lansen Pharmaceutical Holdings Limited**  
**Stephen Burnau Hunt**  
*Chairman*

Hong Kong, 20 September 2016

*As at the date of this announcement, the executive Directors are Mr. Liu Bang Min and Mr. Hou Song; the non-executive Directors are Mr. Stephen Burnau Hunt, Mr. Lee Jin Yi, Mr. Tang Jun and Ms. Liu Xue Zi; the independent non-executive Directors are Mr. Chan Kee Huen, Michael, Mr. Tang Chiu Ping, Raymond and Mr. Fritz Heinrich Horlacher.*

*For the purpose of this announcement, unless otherwise defined, conversions of RMB into HK\$ are based on the approximate exchange rate of RMB1 = HK\$1.16 and conversions of RMB into US\$ are based on the approximate exchange rate of RMB1 = US\$0.15 for the purposes of illustration only. No representation is made that any amount into RMB, HK\$ or US\$ could have been or could be converted at the above rate or at any other rates.*