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CK Life Sciences Int'l. (Holdings) Inc.

長江生命科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0775)

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the Announcement relating to, inter alia, the Existing HIL Continuing Connected Transactions. The Existing HIL Supply Agreement will expire on 31 December 2014.

It is expected that the Group will from time to time continue to enter into with the HIL Group transactions of a nature similar to the Existing HIL Continuing Connected Transactions after the expiry of the Existing HIL Supply Agreement.

As at the date of this announcement, (i) CKH is interested in approximately 45.31% of the issued share capital of the Company and therefore is a substantial shareholder of the Company; and (ii) CKH is interested in approximately 49.97% of the issued share capital of HWL, and HIL, being a wholly-owned subsidiary of HWL, is thus an associate of CKH. Therefore, HIL is a connected person of the Company under the Listing Rules. Since the New HIL Continuing Connected Transactions will involve provision of goods and payments for services on a continuing or recurring basis and are expected to extend over a period of time, those transactions constitute continuing connected transactions of the Company under the Listing Rules.

On 19 December 2014, the Company entered into the New HIL Supply Agreement for a term of three years commencing from 1 January 2015. As the applicable percentage ratios (other than the profits ratio) calculated in accordance with Chapter 14A of the Listing Rules in respect of the estimated total amount of the New HIL Continuing Connected Transactions will, on an annual basis, be more than 0.1% but less than 5%, the New HIL Continuing Connected Transactions are exempt from the independent shareholders' approval requirements under the Listing Rules, and are only subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

1. BACKGROUND

Reference is made to the Announcement relating to, inter alia, the Existing HIL Continuing Connected Transactions. The Existing HIL Supply Agreement will expire on 31 December 2014.

2. THE EXISTING HIL CONTINUING CONNECTED TRANSACTIONS

Under the Existing HIL Supply Agreement, HIL engages the Company and the Company agrees to provide and/or procure to be provided the Products to the HIL Group for sale and distribution on a non-exclusive basis for a term from 1 January 2012 to 31 December 2014. In that connection, relevant members of the Group may make the Sales Related Payments to the relevant members of the HIL Group.

The annual caps and the actual aggregate transaction amounts of the Existing HIL Continuing Connected Transactions for each of the two financial years ended 31 December 2012 and 31 December 2013 and the annual caps of the Existing HIL Continuing Connected Transactions for the financial year ending 31 December 2014 are set out below:

Existing HIL Continuing Connected Transactions	For the year ended 31/12/2012	For the year ended 31/12/2013	For the year ending 31/12/2014
Existing HIL Supply Agreement :-			
(a) the value of the Products provided to the HIL Group;	HK\$100,000,000 (annual cap)	HK\$105,000,000 (annual cap)	HK\$110,000,000 (annual cap)
	HK\$30,622,000 (actual aggregate amount)	HK\$23,075,000 (actual aggregate amount)	
(b) the value of the Sales Related Payments paid by the Group to the HIL Group	HK\$15,000,000 (annual cap)	HK\$16,000,000 (annual cap)	HK\$17,000,000 (annual cap)
	HK\$1,990,000 (actual aggregate amount)	HK\$2,497,000 (actual aggregate amount)	

For each of the two financial years ended 31 December 2012 and 31 December 2013, none of the actual aggregate transaction amounts of the Existing HIL Continuing Connected Transactions exceeded their respective annual cap amount as disclosed in the Announcement. Based on the actual aggregate transaction amounts of the Existing HIL Continuing Connected Transactions as of the date of this announcement, the Directors expect that the annual caps for the financial year ending 31 December 2014 as set out above would also not be exceeded.

3. THE NEW HIL CONTINUING CONNECTED TRANSACTIONS

It is expected that the Group will from time to time continue to enter into with the HIL Group transactions of a nature similar to the Existing HIL Continuing Connected Transactions after the expiry of the Existing HIL Supply Agreement on 31 December 2014. Details of the New HIL Continuing Connected Transactions are as follows:

Date	: 19 December 2014
Parties	: (i) The Company (ii) HIL
Duration	: a term of 3 years from 1 January 2015 to 31 December 2017
Goods provided	: the Products

Subject to the terms and conditions contained in the New HIL Supply Agreement, the Company agrees to continue to provide and/or procure the members of the Group to provide the Products to the HIL Group and HIL agrees to continue to purchase and/or procure members of the HIL Group (in respect of those members of the HIL Group in which HIL is directly or indirectly interested so as to exercise or control the exercise of 30% to 50% of the voting power at any general meeting of such companies, to procure with reasonable endeavours only) to purchase the Products from the Group, for sale and distribution by the HIL Group both locally and overseas on a non-exclusive basis after the expiry of the Existing HIL Supply Agreement. In connection with the supply of the Products, relevant members of the Group may make the Sales Related Payments to relevant members of the HIL Group, which are expected to include advertising and promotional fees and royalties, display rentals, upfront payments or premium and/or such other payments (including without limitation, payments for consultancy, management and/or merchandising services to be rendered by the HIL Group).

Similar to the Existing HIL Supply Agreement, the New HIL Supply Agreement is a master agreement which sets out the principles upon which detailed terms are to be determined between the relevant members of the Group and the HIL Group. Pursuant to the New HIL Supply Agreement, members of the Group and the HIL Group will enter into separate and definitive agreements from time to time to provide for the detailed terms of each single transaction in accordance with the principles in the New HIL Supply Agreement. Such detailed terms include (but without limitation) the basis on which the Products will be supplied, the price of the Products, payment and settlement terms, product warranties, the amounts of the Sales Related Payments payable by the Group to the HIL Group and other terms and conditions in relation to the provision of the Products by the Group to the HIL Group. The parties agree that such detailed terms shall be on normal commercial terms and on terms no less favourable to either the Group or the HIL Group than terms available to or from (as appropriate) independent third parties.

Projected annual caps

The Directors project that under the New HIL Supply Agreement:

- (a) the value of the Products to be provided or to be agreed to be provided by the Group to the HIL Group will not exceed the amounts set out below:-
 - (i) For the year ending 31 December 2015 – HK\$110,000,000
 - (ii) For the year ending 31 December 2016 – HK\$115,500,000
 - (iii) For the year ending 31 December 2017 – HK\$121,275,000; and
- (b) the value of the Sales Related Payments payable by the Group to the HIL Group will not exceed the amounts set out below:-
 - (i) For the year ending 31 December 2015 – HK\$17,000,000
 - (ii) For the year ending 31 December 2016 – HK\$17,850,000
 - (iii) For the year ending 31 December 2017 – HK\$18,742,500.

Basis of caps

The estimated annual figures for the value of the Products to be provided as set out in (a) above are calculated in accordance with the following pricing policy:

- (i) recommended retail price of each Product determined by the Company with reference to product benefits, consumer behaviour and pricing of competitive products;
- (ii) customary retail margin in line with market practice agreed with HIL Group;
- (iii) target profit margin for the Company for each Product with reference to cost of goods including production, transport and logistics and handling;
- (iv) estimated increase in the recommended retail price of the Products with reference to inflation rates published by the Hong Kong Government from time to time and changes in pricing of competitive products and market conditions;
- (v) the estimated sales volume of the Products to HIL Group or through the distribution channels of the HIL Group for the year ending 31 December 2014;
- (vi) the anticipated increase in the number and variety of the Products to be launched and made available for sale by the HIL Group;
- (vii) the expected expansion of distribution channels for the Products through a wider scope of outlet coverage of the HIL Group; and
- (viii) the expected increase in the number of markets in which the Products can be made available to the HIL Group.

For reference, the sales of the Products to the HIL Group or through the distribution channels of the HIL Group in Hong Kong was HK\$23.0 million in the year ended 31 December 2013, which was decreased by 25% compared to the previous year. It is expected the sales of the Products to the HIL Group or through the distribution channels of the HIL Group in Hong Kong for the year ending 31 December 2014 to be in line with that of the year ended 31 December 2013.

The annual caps for the three years ending 31 December 2015, 2016 and 2017 have taken into account potential developments in the sales of Products to the HIL Group in various overseas markets. There are plans to make additional use of the distribution channels of the HIL Group in other parts of the world.

The estimated annual figures of the Sales Related Payments set out in (b) above are determined based on the projected sales value set out in (a) above and on the assumption that the Sales Related Payments will amount to approximately 15% of such sales with reference to pricing policy including (i) the scope, complexity, service level and overall volume of the services to be rendered by the HIL Group to the Group, (ii) the operation feasibility and availability of the relevant member of the HIL Group, (iii) the current practice of the distributors and the retailers in the market, (iv) the prevailing market price of similar services and (v) the value of the Products to be sold in the outlets of the HIL Group.

The Directors (including the independent non-executive Directors) confirm that the New HIL Continuing Connected Transactions will be conducted in the ordinary and usual course of business of the Group, on normal commercial terms and negotiated on an arm's length basis between the relevant members of the Group and the HIL Group. In particular, the terms and conditions (including the price chargeable by the Group) for the provision of the Products by the Group to the relevant members of the HIL Group will be on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties.

4. REASONS FOR ENTERING INTO THE NEW HIL CONTINUING CONNECTED TRANSACTIONS

The supply of the Products pursuant to the Existing HIL Supply Agreement and the related transactions has formed part of the normal commercial activities of the Group. The transactions are also normal business activities of the relevant members of the HIL Group and would also enable the Group to take advantage of the wide distribution channels and extensive retail outlets of the HIL Group.

The Directors (including the independent non-executive Directors) are of the view that the terms of the New HIL Continuing Connected Transactions and the projected annual caps for the New HIL Continuing Connected Transactions are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. None of the Directors has a material interest in the New HIL Continuing Connected Transactions and thus no Director was required to abstain from voting on the board resolutions passed to approve the New HIL Continuing Connected Transactions.

5. NEW HIL CONTINUING CONNECTED TRANSACTIONS AND REQUIREMENTS UNDER THE LISTING RULES

Relationship with HIL

As at the date of this announcement, (i) CKH is interested in approximately 45.31% of the issued share capital of the Company and therefore is a substantial shareholder of the Company; and (ii) CKH is interested in approximately 49.97% of the issued share capital of HWL, and HIL, being a wholly-owned subsidiary of HWL, is thus an associate of CKH. Therefore, HIL is a connected person of the Company under the Listing Rules, and transactions under the Existing HIL Supply Agreement constitute continuing connected transactions of the Company under the Listing Rules.

New HIL Continuing Connected Transactions

As the New HIL Continuing Connected Transactions involve provision of goods and payments for services on a continuing or recurring basis and are expected to extend over a period of time, those transactions will also constitute continuing connected transactions of the Company under the Listing Rules.

As the applicable percentage ratios (other than the profits ratio) calculated in accordance with Chapter 14A of the Listing Rules in respect of the estimated total amount of the New HIL Continuing Connected Transactions will, on an annual basis, be more than 0.1% but less than 5%, the New HIL Continuing Connected Transactions are exempt from the independent shareholders' approval requirements under the Listing Rules, and are only subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

Apart from the transactions under the Existing HIL Supply Agreement, the Group has not entered into any other transactions with HIL or its associates in the previous 12 months which are related to the New HIL Continuing Connected Transactions. There are thus no prior transactions between the Group and HIL and its associates which require aggregation under Rule 14A.83 of the Listing Rules.

6. GENERAL

The Company is an investment holding company. Its subsidiaries are principally engaged in research and development, manufacturing, commercialisation, marketing and selling of health and agriculture-related products as well as investment in various financial and investment products.

The principal activity of HIL is investment holdings. HIL is a wholly-owned subsidiary of HWL. The HWL Group operates and invests in six core businesses: ports and related services, property and hotels, retail, infrastructure, energy, and telecommunications.

7. DEFINITIONS

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

“Announcement”	the announcement of the Company dated 15 December 2011 in respect of, inter alia, the Existing HIL Supply Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules (as may be amended from time to time)
“Board”	the board of directors of the Company
“CKH”	Cheung Kong (Holdings) Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 0001)
“Company”	CK Life Sciences Int’l., (Holdings) Inc., a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 0775)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules (as may be amended from time to time)
“Directors”	the directors of the Company
“Existing HIL Continuing Connected Transactions”	the existing transactions between members of the Group and members of the HIL Group under or pursuant to the Existing HIL Supply Agreement
“Existing HIL Supply Agreement”	the agreement dated 15 December 2011 made between the Company and HIL in relation to the provision of the Products by members of the Group to members of the HIL Group
“Group”	the Company and its subsidiaries from time to time
“HIL”	Hutchison International Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of HWL

“HIL Group”	HIL and its subsidiaries from time to time, and the companies in which HIL is from time to time directly or indirectly interested so as to exercise or control the exercise of 30% to 50% of the voting power at any general meeting of such companies
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HWL”	Hutchison Whampoa Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 0013)
“HWL Group”	HWL and its subsidiaries from time to time
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New HIL Continuing Connected Transactions”	the transactions under or pursuant to the New HIL Supply Agreement
“New HIL Supply Agreement”	the agreement dated 19 December 2014 made between the Company and HIL in relation to the provision of the Products by members of the Group to members of the HIL Group, details of which are set out in the paragraph “ <i>The New HIL Supply Agreement</i> ” under the section headed “The New HIL Continuing Connected Transactions” in this announcement
“Products”	a range of health food and dietary supplement products, as well as eco-agricultural products, under various brand names in the New HIL Continuing Connected Transactions, to be provided by the Group to the HIL Group from time to time, as may be agreed between the relevant members of the Group and the HIL Group

“Sales Related Payments”	in connection with the provision of the Products by the Group to relevant members of the HIL Group under the Existing / New HIL Supply Agreement, the advertising and promotional fees and royalties, display rentals, upfront payments or premiums and/or such other payments (including without limitation, payments for consultancy, management and/or merchandising services to be rendered by the HIL Group to the Group) to be payable by the Group to the HIL Group, as may be agreed between the relevant members of the Group and the HIL Group under the separate and definitive agreements between them pursuant to the Existing / New HIL Supply Agreement
“Shareholders”	holders of shares of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning as ascribed thereto in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)

By Order of the Board
CK Life Sciences Int’l., (Holdings) Inc.
Eirene Yeung
Company Secretary

Hong Kong, 19 December 2014

As at the date of this announcement, the Executive Directors of the Company are Mr. Li Tzar Kuoi, Victor (Chairman), Mr. Kam Hing Lam, Mr. Ip Tak Chuen, Edmond, Mr. Yu Ying Choi, Alan Abel and Dr. Chu Kee Hung; and the Non-executive Directors are Mr. Peter Peace Tulloch, Professor Wong Yue-chim, Richard (Independent Non-executive Director), Mrs. Kwok Eva Lee (Independent Non-executive Director) and Mr. Colin Stevens Russel (Independent Non-executive Director).