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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)**

### **CONNECTED AND DISCLOSABLE TRANSACTION IN RELATION TO THE SECOND TRANCHE SUBSCRIPTION IN HAOTIAN HOLDINGS LIMITED AND CONTINUING CONNECTED AND DISCLOSEABLE TRANSACTION IN RELATION TO THE CROSS GUARANTEE AGREEMENT**

#### **THE SECOND TRANCHE SUBSCRIPTION**

As disclosed in the announcement of the Company on 24 March 2016, pursuant to the Subscription Agreement, at any time within 15 months from the First Completion Date, the Subscriber shall have the sole discretion but not the obligation to subscribe for, and Haotian (BVI) shall have the obligation to issue and allot, the Second Tranche Subscription Shares at the Second Tranche Consideration.

Pursuant to the Subscription Agreement, the Subscriber has the right to subscribe for the Second Tranche Subscription Shares by 29 June 2017, being the date within 15 months from the First Completion Date. The Subscriber now intends to elect to subscribe in full for the Second Tranche Subscription Shares pursuant to the Subscription Agreement within six months from the date the Independent Shareholders' approval is obtained. The Board has approved the Second Tranche Subscription, conditional upon the approval by the Independent Shareholders at the SGM.

## **IMPLICATIONS OF THE SECOND TRANCHE SUBSCRIPTION UNDER THE LISTING RULES**

Pursuant to Rule 14.22 of the Listing Rules, the Second Tranche Subscription, if proceeded within 12 months of the First Tranche Subscription, will be aggregated with the First Tranche Subscription. As one or more of the applicable Percentage Ratios in respect of the Subscription exceed 5% but less than 25%, the transaction contemplated under the Subscription Agreement constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, CIH owns 50.56% of the equity interest in the Company, and is therefore a substantial Shareholder of the Company and a connected person of the Company. Each of CI Biotechnology and Haotian (BVI), being an associate of CIH, are both connected persons of the Company. Accordingly, the transaction contemplated under the Subscription Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Based on the applicable Percentage Ratios, the Second Tranche Subscription, in aggregate with the First Tranche Subscription, constitutes a non-exempt connected transaction for the Company and is subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **THE CROSS GUARANTEE AGREEMENT**

On 24 June 2016, Ningbo Liwah, Jilin Haizi and Lansen BVI entered into the Cross Guarantee Agreement, pursuant to which the parties may, provide or procure its subsidiaries to provide certain guarantees to banks in relation to the bank facilities of each other during the Effective Period.

## **IMPLICATIONS OF THE CROSS GUARANTEE AGREEMENT UNDER THE LISTING RULES**

As one or more of the applicable Percentage Ratios in respect of the Cross Guarantee Agreement exceed 5% but less than 25%, the transaction contemplated under the Cross Guarantee Agreement constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Jilin Haizi, being an associate of CIH, is a connected person of the Company. Accordingly, the transaction contemplated under the Cross Guarantee Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Based on the applicable Percentage Ratios, the transaction contemplated under the Cross Guarantee Agreement constitutes a non-exempt continuing connected transaction for the Company and is subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

#### **GENERAL**

A SGM will be convened and held, among other things, to seek approval from the Independent Shareholders in relation to (i) the Second Tranche Subscription and (ii) the Cross Guarantee Agreement and the proposed Guarantee Cap in relation to the relevant continuing connected transaction contemplated thereunder.

An Independent Board Committee has been established to advise the Independent Shareholders on the Second Tranche Subscription, the Cross Guarantee Agreement and the transactions respectively contemplated thereunder. Gram Capital has been appointed as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in the same respect.

A circular containing, among other things, further details of (a) the Second Tranche Subscription; (b) the Cross Guarantee Agreement and (c) other information required under the Listing Rules, and the notice of the SGM and the form of proxy, will be despatched to the Shareholders on or before 4 July 2016.

#### **(A) THE SECOND TRANCHE SUBSCRIPTION**

Reference is made to the announcement of the Company dated 24 March 2016 in relation to the execution of the Subscription Agreement.

The Subscriber completed subscription of the First Tranche Subscription on 29 March 2016 with the First Tranche Consideration of RMB33 million pursuant to the Subscription Agreement. According to the Subscription Agreement, at any time within 15 months from the First Completion Date, the Subscriber shall have the sole discretion but not the obligation to subscribe for, and Haotian (BVI) shall have the obligation to issue and allot, the Second Tranche Subscription Shares at the Second Tranche Consideration.

Pursuant to the Subscription Agreement, the Subscriber has the right to subscribe for the Second Tranche Subscription Shares by 29 June 2017, being the date within 15 months from the First Completion Date. The Subscriber now intends to elect to subscribe in full for the Second Tranche Subscription Shares pursuant to the Subscription Agreement within six months from the date the Independent Shareholders' approval is obtained. The Board has approved the Second Tranche Subscription, conditional upon the approval by the Independent Shareholders at the SGM.

### **Condition precedent under the Subscription Agreement**

The subscription of the Second Tranche Subscription Shares under the Subscription Agreement is not subject to any conditions.

### **Amount of Second Tranche Subscription Shares**

The Second Tranche Subscription Shares in full represents 13.5% of the total issued share capital of Haotian (BVI) as enlarged by the Second Tranche Subscription.

Upon completion of the subscription of the Second Tranche Subscription Shares in full, the Subscriber will, in aggregate with the First Tranche Subscription Shares, own 30% of the issued share capital of Haotian (BVI) as enlarged by the Second Tranche Subscription.

### **Second Tranche Consideration**

The amount of the Second Tranche Consideration is RMB26.92 million.

As disclosed in the announcement of the Company dated 24 March 2016, the Subscription Consideration was arrived at after arm's length negotiation between the parties, having made reference to an independent valuation of the 100% equity interest of Haotian (BVI) carried out by Ascent Partners, an independent professional valuer in Hong Kong.

The appraised value of the 100% equity interest of Haotian (BVI) set out in the independent valuation report dated 18 March 2016 is US\$33,759,000 as at 31 January 2016. The Subscription Consideration was determined based on the valuation of the 100% equity interest of Haotian (BVI) at US\$30,000,000 (which represents a discount of approximately 11% to the independent valuation) and taking into account the common goal in developing the plant extract business of Haotian (BVI) and the future potential business synergy to be brought by the Subscriber to Haotian (BVI).

The Valuation under the Valuation Report adopted the income-based approach, which involves the calculation of discounted cash flow method and thus, constitutes a profit forecast for the purpose of Rule 14.61 of the Listing Rules. This announcement shall therefore be made in compliance with Rules 14.60A and 14.62 of the Listing Rules.

#### Assumptions of the Valuation

Pursuant to Rule 14.62(1) of the Listing Rules, the principal assumptions upon which the Valuation Report was based are set out below:

- There will be no material change in the existing political, legal, technological, fiscal or economic conditions which might adversely affect the economy in general and the business of Haotian (BVI);
- The management of Haotian (BVI) will be able to successfully implement the business strategy in relation to the marketing and sales;
- All relevant legal approvals and licenses necessary to the production and sales would be officially obtained and renewed upon expiry;
- There will be no material change in the tax rates and relevant government policies in China; and
- There is no hidden or unexpected conditions associated with business of Haotian (BVI) that might adversely affect the valuation.

As disclosed in the announcement of the Company on 24 March 2016, BDO Limited, the reporting accountants of the Company, has reviewed the accuracy of the arithmetical accuracy of the calculations of the estimated future cash flows underlying the Valuation, which do not involve the adoption of accounting policies. The Directors have also confirmed that the Valuation, which constitutes a profit forecast under Rule 14.61 of the Listing Rules, has been made after due and careful enquiry.

The letter from the Board and the letter from BDO Limited have been submitted on 24 March 2016 to the Stock Exchange, and are included in Appendices I and II to this announcement pursuant to Rules 14.60A and 14.62 of the Listing Rules.

#### Expert and Consents

The qualifications of the experts whose opinion and advice has been included in this announcement are as follows:

<b>Name</b>	<b>Qualification</b>
Ascent Partners	Independent professional valuer
BDO Limited	Certified Public Accountants

As at the date of this announcement, neither Ascent Partners nor BDO Limited has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for the securities in any member of the Group.

To the best knowledge, information and belief of the Board, each of Ascent Partners and BDO Limited is an Independent Third Party.

The Valuation Report issued by Ascent Partners was dated 18 March 2016.

Each of Ascent Partners and BDO Limited has given and has not withdrawn its consent to the publication of this announcement with inclusion of its letter or opinion and all references to its name in the form and context in which it is included.

### **Payment**

The Subscriber shall settle the Second Tranche Consideration by paying to Haotian (BVI) in readily available funds on the third business day following the Subscriber has served a notice to inform Haotian (BVI) of the election to subscribe the Second Tranche Subscription Shares.

The cash payment for the Second Tranche Subscription Shares will be funded by the internal resources of the Group.

### **INFORMATION ON HAOTIAN (BVI)**

Haotian (BVI) is incorporated in the British Virgin Islands with limited liability and principally engaged in investment holding. Haotian (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, CI Biotechnology owns 80.9% of Haotian (BVI) and the Subscriber owns 19.1% of Haotian (BVI).

Haotian Group has production facilities which consist of three production lines, namely (i) a production line for berries extracts; (ii) a production line for synthetic health products; and (iii) a new multi-functional production line for a variety of plant extracts. All of the production lines are located at the factory operated by Yangling Dailyhealth at Yangling, Shaanxi province, the PRC. Haotian Group produces a variety of plant extract products and sells as bulk intermediary ingredients for downstream producers of health and dietary supplements, health drink, and cosmetic products. Haotian Group has obtained KOSHER certificate by Orthodox Union, cGMP certificate by the US National Sanitation Foundation, and GEP certificate by China Chamber of Commerce for Import &

Export of Medicines & Health Products. Haotian Group is also awarded ISO9001 (Quality Management System Certificate), ISO14001 (Environmental Management System Certificate) and ISO22000 (Food Safety Management System).

During 2014 and 2015, the production facilities at Yangling Dailyhealth, have undergone various modification and expansion work, resulting in disruption in the production and thus affected the turnover of Haotian Group. These improvements and expansion work was completed in 2015, which would allow Haotian Group to scale up production volumes and generate more sales volumes. The modification and expansion work included:

- (a) a new multi-functional production line (completed in Q4 2015) is capable of producing a variety of plant extracts and its annual production capacity varies for different plant extracts due to different input output ratio; and using ginkgo biloba extracts for illustration, the annual production capacity of multi-functional production line would be 30 tonnes. There was no production volume in 2015; and
- (b) the modification of the production line for synthetic health products (completed in early 2015) enables the production of a plant extract which would help brain development. Assuming only this plant extract is produced, the annual production capacity would be 25 tonnes. In 2015, the actual production volume was approximately 10 tonnes.

According to the unaudited management accounts of Haotian Group for the year ended 31 December 2015, the financial information of the Haotian Group is set out as below:

	For the year ended 31 December	
	2014	2015
	US\$ million	US\$ million
Turnover	5.76	4.10
Profit (Loss) before taxation	(1.81)	(1.16)
Profit (Loss) after taxation	(1.86)	(1.18)

## **INFORMATION ON THE COMPANY AND THE SUBSCRIBER**

The Company is a company incorporated in the Cayman Islands whose shares are listed on the Main Board of The Stock Exchange. 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.

The Subscriber, Lansen Pharmaceutical Holdings Limited, 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.

## **REASONS FOR, AND BENEFITS OF THE SECOND TRANCHE SUBSCRIPTION**

The First Tranche Subscription was completed on 29 March 2016. By electing to subscribe for the Second Tranche Subscription Shares pursuant to the Subscription Agreement, the Subscriber can acquire up to a maximum of 30% interest in Haotian (BVI).

The Company intends to seek advance Independent Shareholders' approval in order for the Second Tranche Subscription to be effected expeditiously, as and when appropriate, within six months from the date the Independent Shareholders' approval is obtained.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Second Tranche Subscription are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS OF THE SECOND TRANCHE SUBSCRIPTION UNDER THE LISTING RULES**

Pursuant to Rule 14.22 of the Listing Rules, the Second Tranche Subscription, if proceeded within 12 months of the First Tranche Subscription, will be aggregated with the First Tranche Subscription. As one or more of the applicable Percentage Ratios in respect of the Subscription exceed 5% but less than 25%, the transaction contemplated under the Subscription Agreement constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, CIH owns 50.56% of the equity interest in the Company, and is therefore a substantial Shareholder of the Company and a connected person of the Company. Each of CI Biotechnology and Haotian (BVI), being an associate of CIH, are both connected persons of the Company. Accordingly, the transaction contemplated under the Subscription Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.



Based on the applicable Percentage Ratios, the Second Tranche Subscription, if proceeded within 12 months of the First Tranche Subscription, will be aggregated with the First Tranche Subscription. The Second Tranche Subscription, in aggregate with the First Tranche Subscription, constitutes non-exempt connected transaction for the Company and is subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **(B) THE CROSS GUARANTEE AGREEMENT**

### **Date**

24 June 2016

### **Parties**

- (a) Jilin Haizi, an indirect wholly-owned subsidiary of CIH;
- (b) Ningbo Liwah, an indirect wholly-owned subsidiary of the Company; and
- (c) Lansen BVI, a direct wholly-owned subsidiary of the Company.

### **Effective period**

The effective period of the Cross Guarantee Agreement will commence on 1 July 2016 and will expire on 30 June 2019 (the "**Effective Period**").

### **Description of the transaction**

Pursuant to the Cross Guarantee Agreement, Jilin Haizi has agreed, during the Effective Period, to provide guarantees for the obligations under the bank facilities obtained or to be obtained by Ningbo Liwah (the "**Jilin Haizi Guarantees**").

Pursuant to the Cross Guarantee Agreement, on a reciprocal basis, Lansen BVI has agreed, during the Effective Period, to procure its subsidiary, as appropriate, to provide guarantees for the obligation under the bank facilities to be obtained by Jilin Haizi (the "**Lansen BVI Guarantees**") (the Jilin Haizi Guarantees and the Lansen BVI Guarantees, collectively, the "**Guarantees**").

### **Effectiveness of the Cross Guarantee Agreement**

The Cross Guarantee Agreement will become effective upon the followings:

- (a) the Company having complied with the procedures required under the Listing Rules in respect of the transactions contemplated under the Cross Guarantee Agreement; and
- (b) the Cross Guarantee Agreement and the transactions contemplated thereunder having been approved by the Independent Shareholders in compliance with the Listing Rules.

### Guarantee cap

The total amount to be guaranteed by Jilin Haizi with respect to Ningbo Liwah’s bank facilities during the Effective Period shall not exceed RMB130,000,000; and, on a reciprocal basis, the total amount to be guaranteed by the Lansen BVI Group during the Effective Period shall not exceed RMB130,000,000 (the “**Guarantee Cap**”).

The respective annual cap for each of the Jilin Haizi Guarantees and the Lansen BVI Guarantees are set out as follow:

<b>Relevant period</b>	<b>Annual Cap of the Jilin Haizi Guarantee (Note 1)</b>	<b>The maximum commission fee payable by Ningbo Liwah</b>	<b>Annual Cap of the Lansen BVI Guarantee (Note 2)</b>	<b>The maximum commission fee payable by Jilin Haizi</b>
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
From 1 July 2016 to 31 December 2016	130,000,000	325,000	130,000,000	325,000
From 1 January 2017 to 31 December 2017	130,000,000	650,000	130,000,000	650,000
From 1 January 2018 to 31 December 2018	130,000,000	650,000	130,000,000	650,000
From 1 January 2019 to 30 June 2019	130,000,000	325,000	130,000,000	325,000

Note 1: For the avoidance of doubt, the total amount of the Jilin Haizi Guarantee in effect at any time during the Effective Period should not exceed RMB130,000,000.

Note 2: For the avoidance of doubt, the total amount of the Lansen BVI Guarantee in effect at any time during the Effective Period should not exceed RMB130,000,000.

The respective annual cap for each of the Jilin Haizi Guarantees and the Lansen BVI Guarantees in each of the 2016, 2017, 2018 and 2019 were arrived at after taking into account the following:-

- (a) the amount of bank facilities drawn by Ningbo Liwah which are guaranteed by Liwah Zhiti, which is currently RMB130,000,000.
- (b) the suitability of Liwah Zhiti of providing corporate guarantee with respect to Ningbo Liwah's bank facilities will be affected as the source of revenue of Liwah Zhiti will gradually be generated solely from Ningbo Liwah. As such, Ningbo Liwah may require an additional guarantor for its current or future bank facilities (please refer to the paragraph headed "Reasons for, and Benefits of the Cross Guarantee Agreement" below for the elaborated reason). The annual cap is set at the amount of the existing loan amount guaranteed by Liwah Zhiti as at 30 April 2016; and
- (c) the Company was advised by the management of Jilin Haizi that Jilin Haizi is expected to require not more than RMB130 million bank facilities for their current level of business activities during the Effective Period, and that Jilin Haizi may secure the bank facilities of such entire amount in any financial year during the Effective Period.

### **Commission fee**

At each financial yearend on 31 December during the Effective Period, each party shall calculate the commission fee receivable, in accordance with the formula below, in respect of a loan which is guaranteed by one party during that financial year.

If the total commission fee receivable of one party equals to the total commission fee receivable of the other party for that financial year, no commission fee is payable by either party.

If the total commission fee receivable of one party (the "**Net Receiving Party**") is larger than the total commission fee receivable of the other party (the "**Net Paying Party**") for that financial year, the Net Paying Party shall pay the net commission fee in cash to the Net Receiving Party within three months from 31 December of that financial year.

Commission fee for each guarantee = guarantee amount x (the number of days the guarantee is in effect during the year / 365) x 0.5%.

For the avoidance of doubt, in the event that a party requests the other party to provide guarantee for more than one loan during a financial year, the total commission fee payable by such party to the other party shall be the aggregate amount of all the commission fees incurred for each of the guarantees.

The annual guarantee commission rate of 0.5% is determined and agreed with reference to the prevailing market rate of the commission charged by guarantee service providers, which is around 2% per annum, after taking into account of the factors set out in the paragraph headed “Reasons For, and Benefits of the Cross Guarantee Agreement.”.

The maximum commission fee payable by Ningbo Liwah to Jilin Haizi in a financial year ended 31 December is RMB 650,000, assuming that:

- (a) Jilin Haizi has provided the maximum amount of guarantee (i.e. RMB 130,000,000) for the obligations under the bank facilities of Ningbo Liwah in such financial year and the guarantee is effective during such whole financial year; and
- (b) the Lansan BVI Group has provided no guarantee to Jilin Haizi in such financial year.

#### **Purpose of the loans which are subject of the Guarantees**

The bank loans to be borrowed by the parties and covered by the Guarantees should be used solely for the purpose of meeting the funding requirement of each of the parties in their ordinary course of business.

#### **REASONS FOR, AND BENEFITS OF THE CROSS GUARANTEE AGREEMENT**

Corporate guarantee from PRC corporations is commonly required as a security or additional security for financial transactions in the PRC to secure the obligations of the borrower. The execution of the Cross Guarantee Agreement would enable the parties to obtain loans from banks in the PRC in order to support its ordinary and usual course of business.

As requested by the banks, certain bank facilities of Ningbo Liwah was guaranteed by Liwah Zhiti as secondary credit support. As at 31 December 2015, the aggregate amount of bank loans drawn by Ningbo Liwah under the bank facilities which are guaranteed by Liwah Zhiti (the “**Existing Loans**”) was RMB120 million. As at 30 April 2016, the aggregate amount of Existing Loans increased to RMB130 million. The average term of the bank facilities which are guaranteed by Liwah Zhiti ranges from 2-5 years and the tenure of each of the Existing Loans is within one-year.

As the Group expects that the sales of its specialty and generic drugs of Ningbo Liwah will continue to experience double digit annual growth, the production lines owned by Liwah Zhiti should be prioritized for producing intermediary raw material for the specialty and generic drugs, including

Pafulin, to meet the demand of Ningbo Liwah. Accordingly, production of other plant extract products for sales to Liwah Zhiti's own third party customer will be reduced significantly. As disclosed in the announcement of the Company dated 24 March 2016, subsequent to the subscription in Haotian (BVI), the Group will continue to develop its plant extract business through Haotian (BVI) which has suitable plant extract production capacity.

As the source of revenue of Liwah Zhiti will gradually be generated solely from Ningbo Liwah, Liwah Zhiti's suitability as a guarantor with respect to the bank facilities of Ningbo Liwah may be affected in the future. For existing bank facilities of Ningbo Liwah which are guaranteed by Liwah Zhiti and the new bank facilities in the future, Ningbo Liwah may need to have an additional corporate guarantor.

The Cross Guarantee Agreement would allow the parties to respond promptly to any request of provision of a corporate guarantee by the banks. The banks may require on a case by case basis additional security from the guarantor, which the parties to the Cross Guarantee Agreement will consider the terms of the relevant bank facilities prior to meeting such banks' requirement provided that the parties shall observe their respective obligation under each of their existing bank facilities.

The Directors (including the independent non-executive Directors) are of the view that the Cross Guarantee Agreement is fair and reasonable, and has been entered into after arm's length negotiation between all parties thereto and determined on normal commercial terms or better and is in the interests of the Company and its Shareholders as a whole.

#### **INFORMATION ON NINGBO LIWAH, LIWAH ZHITI AND JILIN HAIZI**

Ningbo Liwah, being an indirectly and wholly-owned subsidiary of the Company, is a company incorporated in the PRC and is engaged in the business of production, sales and product development of prescription and OTC pharmaceutical products.

Liwah Zhiti, being an indirectly and wholly-owned subsidiary of the Company, is a company incorporated in the PRC and is engaged in the business of production and sales of plant extracts and other key ingredients for healthcare products.

Jilin Haizi, being an indirectly and wholly-owned subsidiary of CIH, is a company incorporated in the PRC and is engaged in the manufacture, marketing and sales of inositol and dicalcium phosphate ("DCP"), for use in health and nutrition supplements. Jilin Haizi is currently in the stage of increasing production and sales of inositol and modifying its production process to produce higher margin food grade DCP for sales. It has no business relationship with Ningbo Liwah.

## **IMPLICATIONS OF THE CROSS GUARANTEE AGREEMENT UNDER THE LISTING RULES**

As one or more of the applicable Percentage Ratios in respect of the Cross Guarantee Agreement exceed 5% but less than 25%, the transaction contemplated under the Cross Guarantee Agreement constitutes a discloseable transaction for the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Jilin Haizi, being an associate of CIH, is connected person of the Company. Accordingly, the transaction contemplated under the Cross Guarantee Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Based on the applicable Percentage Ratios, the transaction contemplated under the Cross Guarantee Agreement constitutes a non-exempt continuing connected transaction for the Company and is subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **GENERAL**

Mr. Lee Jin Yi is the common director of the Company, Haotian (BVI) and CIH, but he does not hold any equity interest in Haotian (BVI) and Jilin Haizi, he therefore does not consider himself to have material interests in the transaction contemplated under the Second Tranche Subscription and the Cross Guarantee Agreement. He has not abstained from voting on the resolutions of the Board to approve the Transactions.

As no Director has a material interest in the Second Tranche Subscription and the Cross Guarantee Agreement, none of the Directors has abstained from voting on the relevant board resolution approving the Transactions.

A SGM will be convened and held, among other things, to seek approval from the Independent Shareholders in relation to (i) the Second Tranche Subscription and (ii) the Cross Guarantee Agreement and the proposed Guarantee Cap in relation to the relevant continuing connected transactions contemplated thereunder.

An Independent Board Committee has been established to advise the Independent Shareholders on the Second Tranche Subscription, the Cross Guarantee Agreement and the transactions respectively contemplated thereunder. Gram Capital has been appointed as independent financial adviser to

advise the Independent Board Committee and the Independent Shareholders in the same respect.

A circular containing, among other things, further details of (a) the Second Tranche Subscription; (b) the Cross Guarantee Agreement and (c) other information required under the Listing Rules, and the Notice of the SGM and the form of proxy, will be despatched to the Shareholders on or before 4 July 2016.

## **DEFINITIONS**

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

<b>“Ascent Partners”</b>	Ascent Partners Valuation Service Limited, an independent professional valuer in Hong Kong
<b>"associate(s)"</b>	has the meaning given to it under the Listing Rules;
<b>"Board"</b>	the board of Directors;
<b>"CI Biotechnology"</b>	Cathay International Biotechnology and Pharmaceutical (China) Limited, a company incorporated in the British Virgin Islands with limited liability;
<b>"CIH"</b>	Cathay International Holdings Limited, a company incorporated in Bermuda and whose shares are listed on the London Stock Exchange;
<b>"Company"</b>	Lansen Pharmaceutical Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability whose shares are listed and trade on the Main Board of The Stock Exchange;
<b>"connected person"</b>	has the meaning given to it under the Listing Rules;
<b>"continuing connected transactions"</b>	has the meaning given to it under the Listing Rules;
<b>"controlling shareholder"</b>	has the meaning given to it under the Listing Rules;
<b>"Cross Guarantee Agreement"</b>	the agreement entered into between Jilin Haizi, Ningbo Liwah and Lansen BVI on 24 June 2016, pursuant to which the parties thereto have agreed to provide certain guarantees to the banks in relation to bank facilities of each other as and when necessary;
<b>"Directors"</b>	the directors of the Company, and a “Director” means any one of them;

<b>"First Completion Date"</b>	29 March 2016;
<b>"First Tranche Consideration"</b>	the consideration for the First Tranche Subscription Shares, being RMB33,000,000;
<b>"First Tranche Subscription"</b>	the subscription of the First Tranche Subscription Shares at the First Tranche Consideration pursuant to the Subscription Agreement;
<b>"First Tranche Subscription Shares "</b>	new Haotian (BVI) shares representing approximately 19.1% of the total issued share capital of Haotian (BVI) as at the date of the announcement. Assuming the Subscriber proceeds with the Second Tranche Subscription, the First Tranche Subscription Shares will be diluted to 16.5% of the total issued share capital of Haotian (BVI) as enlarged by the Second Tranche Subscription;
<b>"Gram Capital" or "Independent Financial Adviser"</b>	Gram Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Transactions;
<b>"Group"</b>	the Company and its subsidiaries from time to time;
<b>"Guarantee Cap"</b>	the maximum aggregate value of the guarantees that Lanser BVI has agreed to procure its subsidiary, as appropriate, to provide to Jilin Haizi under the reciprocal arrangement of the Cross Guarantee Agreement during the Effective Period;
<b>"Haotian (BVI) "</b>	Haotian Holdings Limited, a company incorporated in the British Virgin Islands with limited liability;
<b>"Haotian Group"</b>	Haotian (BVI) and its subsidiaries;
<b>"HK\$"</b>	Hong Kong dollars, the lawful currency of Hong Kong;
<b>"Hong Kong"</b>	the Hong Kong Special Administrative Region of the PRC;
<b>"Independent Board Committee"</b>	the board committee of the Board comprising all independent; non-executive Directors established by the Board to advise the Independent Shareholders on the Transactions and how to vote in respect of Transactions at the SGM;
<b>"Independent Shareholders"</b>	Shareholders other than CIH;



<b>"Jilin Haizi"</b>	Jilin Haizi Bio-Engineering Technology Company Limited* (吉林海資生物工程技術有限公司), a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of CIH;
<b>"Lansen BVI Group"</b>	Lansen BVI and its subsidiaries from time to time;
<b>"Listing Rules"</b>	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
<b>"Liwah Zhiti"</b>	Ningbo Liwah Plant Extraction Technology Limited* (寧波立華植物提取技術有限公司), a company incorporated in the PRC and an indirectly wholly-owned subsidiary of the Company;
<b>"Ningbo Liwah"</b>	Ningbo Liwah Pharmaceutical Company Limited* (寧波立華製藥有限公司), a company incorporated under the laws of the PRC and an indirectly wholly-owned subsidiary of the Company;
<b>"Percentage Ratios"</b>	the percentage ratios under Rule 14.07 of the Listing Rules;
<b>"PRC"</b>	The People's Republic of China;
<b>"RMB"</b>	Renminbi, the lawful currency of the PRC;
<b>"Second Tranche Consideration"</b>	the consideration for the Second Tranche Subscription Shares, being a maximum of RMB26,920,000;
<b>"Second Tranche Subscription"</b>	the subscription of the Second Tranche Subscription Shares in accordance with the terms of the Subscription Agreement;
<b>"Second Tranche Subscription Shares"</b>	such number of new Haotian (BVI) shares representing a maximum of 13.5% of the total issued share capital of Haotian (BVI) as enlarged by the Second Tranche Subscription; which, in aggregate with the First Tranche Subscription Shares, representing approximately a maximum of 30% of the total issued share capital of Haotian (BVI) as enlarged by the Second Tranche Subscription;
<b>"SGM"</b>	a special general meeting of the Company to be held to approve, inter alia, the Second Tranche Subscription and the Cross Guarantee Agreement (including Guarantee Cap) and the transactions contemplated thereunder;
<b>"Share(s)"</b>	ordinary share(s) of HK\$0.01 each in the share capital of the

	Company;
<b>"Shareholder(s)"</b>	registered holder(s) of the Shares;
<b>"Stock Exchange"</b>	The Stock Exchange of Hong Kong Limited;
<b>"Subscriber" or "Lansen BVI "</b>	Lansen Pharmaceutical Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly and directly-owned subsidiary of the Company;
<b>"Subscription"</b>	the subscription of the Subscription Shares pursuant to the terms and conditions of the Subscription Agreement;
<b>"Subscription Agreement"</b>	the subscription agreement dated 24 March 2016 entered into between the Subscriber and Haotian (BVI);
<b>"Subscription Consideration"</b>	collectively, the First Tranche Consideration and/or the Second Tranche Consideration (provided that the Subscriber elects to subscribe for the Second Tranche Subscription Shares);
<b>"Subscription Shares"</b>	collectively, the First Tranche Subscription Shares and the Second Tranche Subscription Shares (provided that the Subscriber elects to subscribe for the Second Tranche Subscription)
<b>"subsidiary"</b>	in relation to a company wherever incorporated (a holding company) means a "subsidiary" within the meaning set out in Section 15 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), and any other company which is a subsidiary (as so defined) of a company which is itself a subsidiary of such holding company
<b>"Transactions"</b>	collectively, the transactions contemplated under the Second Tranche Subscription and the Cross Guarantee Agreement;
<b>"US\$"</b>	United States dollars, the lawful currency of the United States of America; and
<b>"Valuation"</b>	the independent valuation of Haotian (BVI) as at 31 January 2016 prepared by Ascent Partners, dated 18 March 2016
<b>"Yangling Dailyhealth"</b>	Yangling Dailyhealth Bio-Engineering Technology Company Limited (楊凌萃健生物工程技術有限公司) (Formerly known as Yangling Haotian Bio-Engineering Technology Company

"%"

Limited, 楊凌皓天生物工程技術有限公司), a company incorporated in the PRC with limited liability and an indirect wholly owned subsidiary of Haotian (BVI)

per cent.

By order of the Board

**Lansen Pharmaceutical Holdings Limited**

**Stephen Burnau Hunt**

*Chairman*

Hong Kong, 24 June 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, conversions of RMB into HK\$ are based on the approximate exchange rate of RMB1 = HK\$1.25 and conversions of RMB into US\$ are based on the approximate exchange rate of RMB1 = US\$0.16. The exchange rates are set out for the purpose of illustration only. No representation is made that any amount in HK\$ and RMB could have been or could be converted at the above rates or at any other rates.*

## APPENDIX I - LETTER FROM THE BOARD

*The following is the text of a letter from the board prepared for the purpose of incorporation in this announcement.*

Date: 24 March 2016

The Listing Division  
The Stock Exchange of Hong Kong Limited  
11/F, One International Finance Centre,  
1 Harbour View Road,  
Central, Hong Kong

Dear Sirs,

**RE: Lansen Pharmaceutical Holdings Limited**  
**Stock Code: 503**  
**Subject: Rules 14.61 and 14.62 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “HK Listing Rules”) – Letter from the Board**

We, the board of directors (the “**Board**”) of Lansen Pharmaceutical Holdings Limited, note that BDO Limited, Certified Public Accountants, the Company’s auditor, has examined the arithmetical accuracy of the calculation of the discounted cash flow forecast, which do not involve the adoption of accounting policies, in the valuation report dated 18 March 2016 (the “**Valuation**”) prepared by Ascent Partners Valuation Service Limited (the “**Independent Valuer**”) in relation to the 100% equity interest of Haotian (BVI). The Valuation is prepared based on discounted future estimated cash flows method and it is regarded as a profit forecast under Rule 14.61 of the HK Listing Rules (the “**Underlying Forecast**”).

We have discussed with the Independent Valuer and the management of the Company the basis and assumptions in the Valuation upon which the Underlying Forecast has been made and have reviewed the Valuation. We have also considered the report dated 24 March 2016 issued by BDO Limited, Certified Public Accountants and addressed to the Board of Directors that the Underlying Forecast, so far as the arithmetical accuracy of the calculations is concerned, has been properly compiled in all material respects in accordance with the bases and assumptions approved by the Directors.

On the basis of the foregoing, we confirm that the Valuation, including the Underlying Forecast, has been made after due and careful enquiry.

The purpose of this letter is solely for the strict compliance with Rule 14.62 of the HK Listing Rules. We, however, express no opinion in this letter on the actual results of the Underlying Forecast as the Underlying Forecast is based on hypothesis of future events.

Yours faithfully

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

## APPENDIX II- REPORT FROM BDO LIMITED

*The following is the text of the report received from BDO Limited, Certified Public Accountants, the reporting accountant of the Company relating to the discounted future estimated cash flows in respect of the Valuation for the purpose of inclusion in this announcement.*



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Hong Kong

The Board of Directors  
Lansen Pharmaceutical Holdings Limited  
Suites 1203-1204, 12/F  
Li Po Chun Chambers  
189 Des Voeux Road Central  
Hong Kong

24 March 2016

Dear Sirs

**LANSEN PHARMACEUTICAL HOLDINGS LIMITED (THE “COMPANY”) AND ITS  
SUBSIDIARIES (COLLECTIVELY REFERRED TO AS THE “GROUP”)  
THE DISCOUNTED FUTURE ESTIMATED CASH FLOWS  
IN CONNECTION WITH THE BUSINESS VALUATION  
ON HAOTIAN HOLDINGS LIMITED (THE “TARGET COMPANY”)**

**Independent assurance report**

In accordance with our agreed terms of engagement, we have examined the arithmetical accuracy of the calculations of the discounted future estimated cash flows (the “Underlying Forecast”) on which the business valuation (the “Valuation”) dated 18 March 2016 prepared by Ascent Partners Valuation Service Limited in respect of the appraisal of the fair value of the Target Company as at 31 January 2016 is based. The Valuation based on the Underlying Forecast is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

**Directors’ Responsibility for the Underlying Forecast**

The directors of the Company (the “Directors”) are solely responsible for the preparation of the Underlying Forecast in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the Underlying Forecast for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

## **Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements”, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## **Reporting Accountant’s Responsibility**

Our responsibility is to express a conclusion, based on our work, on the arithmetical accuracy of the calculations of the Underlying Forecast on which the Valuation is based, and to report our conclusion to you solely for the purpose of reporting under Rule 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of, or in connection with our work. Because the Underlying Forecast relates to cash flows, no accounting policies of the Company have been adopted in its presentation.

The bases and assumptions adopted by the Directors include hypothetical assumptions about future events and management actions that cannot be confirmed or verified in the same way as past results, and these bases and assumptions may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Underlying Forecast and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the bases and assumptions and do not express opinion whatsoever thereon; and our work does not constitute any valuation on the Target Company.

We conducted our engagement in accordance with the terms of our engagement and Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. We have planned and performed our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations is concerned, the Directors have properly compiled the Underlying Forecast in accordance with the bases and assumptions as set out in the Valuation. We performed procedures on the arithmetical calculations and the compilations of the Underlying Forecast in accordance with the bases and assumptions. Our work was substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion on the Underlying Forecast.

## **Conclusion**

In our opinion, the Underlying Forecast, so far as the arithmetical accuracy of the calculations is concerned, has been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation.

Yours faithfully  
BDO Limited