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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)

**RENEWAL OF CONTINUING CONNECTED TRANSACTION AND
MAJOR TRANSACTION IN RELATION TO
THE 2019 CROSS GUARANTEE AGREEMENT**

References are made to the announcement of the Company dated 24 June 2016 and the circular of the Company dated 28 June 2016 in relation to, among others, the 2016 Cross Guarantee Agreement and the transaction contemplated thereunder.

**RENEWAL OF CONTINUING CONNECTED TRANSACTION AND MAJOR
TRANSACTION IN RELATION TO THE 2019 CROSS GUARANTEE
AGREEMENT**

As the 2016 Cross Guarantee Agreement will expire on 30 June 2019, Ningbo Liwah, Jilin Haizi and Lansen BVI entered into the 2019 Cross Guarantee Agreement on 3 May 2019 to renew the terms of such continuing connected transaction for a term commencing from 1 July 2019 and expiring on 30 June 2022, where the parties may, provide or procure its subsidiaries to provide certain guarantees to banks in relation to the bank facilities of each other.

**IMPLICATIONS OF THE 2019 CROSS GUARANTEE AGREEMENT UNDER
THE LISTING RULES**

As one or more of the applicable Percentage Ratios in respect of the 2019 Cross Guarantee Agreement exceed 25% but less than 100%, the transaction contemplated under the 2019 Cross Guarantee Agreement constitutes a major transaction for the Company and is subject to the reporting, announcement, circular and the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, CIH owns 50.68% of the equity interest in the Company, and is therefore a substantial Shareholder of the Company and a connected person of the Company. Jilin Haizi, being an associate of CIH, is connected person of the Company. Accordingly, the transaction contemplated under the 2019 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 2019 Cross Guarantee Agreement constitutes non-exempt continuing connected transaction for the Company and is subject to the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

An EGM will be convened and held, among other things, to seek approval from the Independent Shareholders in relation to the 2019 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 2019 Cross Guarantee Agreement and the transaction contemplated thereunder. Gram Capital has been appointed as the 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 the 2019 Cross Guarantee Agreement, a letter of advice from the Independent Financial Adviser to the Independent Board Committee, a letter of advice containing the recommendation of the Independent Board Committee to the Independent Shareholders and the notice of the EGM and the form of proxy, will be despatched to the Shareholders on or before 17 May 2019.

BACKGROUND INFORMATION

References are made to the announcement of the Company dated 24 June 2016 and the circular of the Company dated 28 June 2016 in relation to, among others, the 2016 Cross Guarantee Agreement and the transaction contemplated thereunder. As disclosed in the said announcement and circular, Ningbo Liwah, Jilin Haizi and Lansen BVI entered into the 2016 Cross Guarantee Agreement on 24 June 2016, 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 term commencing on 1 July 2016 and expiring on 30 June 2019. As the 2016 Cross Guarantee Agreement will expire on 30 June 2019, Ningbo Liwah, Jilin Haizi and Lansen BVI entered into the 2019 Cross Guarantee Agreement on 3 May 2019 to renew the terms of such continuing connected transaction.

THE 2019 CROSS GUARANTEE AGREEMENT

Date

3 May 2019

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 will commence on 1 July 2019 and will expire on 30 June 2022.

Description of the transaction

Pursuant to the 2019 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.

Pursuant to the 2019 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 obligations under the bank facilities to be obtained by Jilin Haizi.

Effectiveness of the 2019 Cross Guarantee Agreement

The 2019 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 transaction contemplated under the 2019 Cross Guarantee Agreement;
- (b) the 2019 Cross Guarantee Agreement and the transaction contemplated thereunder having been approved by the Independent Shareholders in compliance with the Listing Rules; and
- (c) Jilin Haizi and/or its shareholders having complied with the procedures required under the Listing Rule of London Stock Exchange in respect of the transaction contemplated under the 2019 Cross Guarantee Agreement.

Historical transaction amounts under the 2016 Cross Guarantee Agreement

The respective historical transaction amounts of each of the Jilin Haizi guarantees and the Lanser BVI guarantees and the commission fee paid under the 2016 Cross Guarantee Agreement are set out as follow:

Relevant period	Historical amount of the Jilin Haizi guarantee (RMB)	The commission fee paid by Ningbo Liwah (RMB)	Historical amount of the Lanser BVI guarantee (RMB)	The commission fee paid by Jilin Haizi (RMB)
From 1 July 2016 to 31 December 2016	Nil	Nil	100,000,000	168,000
From 1 January 2017 to 31 December 2017	130,000,000	329,000	122,460,000	577,000
From 1 January 2018 to 31 December 2018	130,000,000	650,000	130,000,000	650,000
From 1 January 2019 to 31 March 2019	130,000,000	160,000	130,000,000	160,000

As at the date of this announcement, none of the annual cap for the Jilin Haizi guarantees and the Lanser BVI guarantees under the 2016 Cross Guarantee Agreement has been exceeded.

Proposed Guarantee Cap under the 2019 Cross Guarantee Agreement

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 of the Proposed Guarantee Cap during the Effective Period shall not exceed RMB130,000,000.

The respective annual cap for each of the Jilin Haizi Guarantees and the Lansen BVI Guarantees and the commission fee payable under the 2019 Cross Guarantee Agreement are set out as follow:

Relevant period	Annual cap of the Jilin Haizi Guarantee (Note 1) (RMB)	The maximum commission fee payable by Ningbo Liwah (RMB)	Annual cap of the Lansen BVI Guarantee (Note 2) (RMB)	The maximum commission fee payable by Jilin Haizi (RMB)
From 1 July 2019 to 31 December 2019	130,000,000	328,000	130,000,000	328,000
From 1 January 2020 to 31 December 2020	130,000,000	650,000	130,000,000	650,000
From 1 January 2021 to 31 December 2021	130,000,000	650,000	130,000,000	650,000
From 1 January 2022 to 30 June 2022	130,000,000	322,000	130,000,000	322,000

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 Proposed Guarantee Cap was arrived at after taking into account the following:

- (a) historical transaction amounts for the transaction contemplated under the 2016 Cross Guarantee Agreement;
- (b) the Board expects that the Company will require not more than RMB130,000,000 bank facilities to be guaranteed by Jilin Haizi during the Effective Period; and
- (c) the Company was advised by the management of Jilin Haizi that Jilin Haizi is expected to require not more than RMB130,000,000 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 year end 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 in cash the net commission fee 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 third party guarantor commission at market rate after taking into account the reciprocal arrangement in place under the 2019 Cross Guarantee Agreement.

The maximum commission fee payable by Ningbo Liwah to Jilin Haizi in a financial year ended 31 December is RMB650,000, assuming that:

- (a) Jilin Haizi has provided the maximum amount of guarantee (i.e. RMB130,000,000) 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 2019 CROSS GUARANTEE AGREEMENT

As shown in the paragraphs headed “Historical transaction amounts”, the 2016 Cross Guarantee Agreement has been largely utilised, enabling the parties to obtain loans from banks in the PRC; and allowing the parties to respond to banks’ requests for provision of corporate guarantee(s). As corporate guarantee from PRC corporations continues to be commonly required by banks as a security or additional security for financial transactions in the PRC to secure the obligations of the borrower, the execution of the 2019 Cross Guarantee Agreement would (i) enable the parties to continue to obtain loans from banks

in the PRC in order to support its ordinary and usual course of business; and (ii) allow the parties to continue to respond promptly to any request of provision of a corporate guarantee by the banks. In view of the benefits brought to the Group under the entering into of the 2016 Cross Guarantee Agreement and the extended business relationships established between the Group and Jilin Haizi, the execution of the 2019 Cross Guarantee Agreement and the transaction contemplated thereunder are expected to continue to bring synergies to the parties.

The objective of having the commission fee in place is not for the parties to earn commission fee by providing corporate guarantee, but instead provides a mechanism to cater for the situation when there is a difference in the exposure undertaken by the parties due to the difference in the amount of loans guaranteed by the parties (i.e. the guarantee amounts) under the Jilin Haizi Guarantees and the Lansen BVI Guarantees respectively. The difference in the guarantee amounts can be due to a difference in (1) the sizes and/or (2) the timing of the banking facilities obtained by Jilin Haizi and Ningbo Liwah, which require the Guarantees.

In the event that the guarantee amount of the Lansen BVI Guarantees is less than the guarantee amount of the Jilin Haizi Guarantees, Ningbo Liwah shall pay commission fee to Jilin Haizi under the Cross Guarantee Agreement due to the net amount of guarantee received. The annual commission fee rate of 0.5% is lower than that charged by guarantee service providers in the PRC market and therefore, the commission fee payable to Jilin Haizi is no less favourable to the Company than those available in the market.

In the event that the guarantee amount of the Lansen BVI Guarantees is larger than the guarantee amount of the Jilin Haizi Guarantees, Lansen BVI shall receive commission fee from Jilin Haizi under the Cross Guarantee Agreement due to the net amount of guarantee provided. Under the reciprocal arrangement, the same annual commission fee rate of 0.5% applies and is therefore lower than that charged by guarantee service providers in the PRC market. Despite the commission receivable from Jilin Haizi is lower than those available in the market, it is in the interest of the Company as the commission fee rate is fair and applies equally to the parties to the 2019 Cross Guarantee Agreement.

The annual commission fee 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 the following factors:

- (a) it is a reciprocal arrangement but not a one-sided guarantee provision;
- (b) the objective of the parties is not to earn commission fee but instead provides a mechanism to cater for the situation when there is a difference in the guarantee amounts provided by each party;

- (c) the commission fee rate for the parties are all the same and is lower than the market rate; and
- (d) the calculation of the commission fee on each guarantee takes into account the number of days of the guarantee provision;

The Directors are of the view that the 2019 Cross Guarantee Agreement and the transaction contemplated thereunder are fair and reasonable, and determined on normal commercial terms or better and are in the interests of the Company and its Shareholders as a whole.

INFORMATION ON THE GROUP, NINGBO LIWAH AND JILIN HAIZI

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.

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, sale and product development of prescription and OTC pharmaceutical 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 2019 CROSS GUARANTEE AGREEMENT UNDER THE LISTING RULES

As one or more of the applicable Percentage Ratios in respect of the 2019 Cross Guarantee Agreement exceed 25% but less than 100%, the transaction contemplated under the 2019 Cross Guarantee Agreement constitutes a major transaction for the Company and is subject to the reporting, announcement, circular and the Shareholders’ approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, CIH owns 50.68% of the equity interest in the Company, and is therefore a substantial Shareholder of the Company and a connected person of the Company. Jilin Haizi, being an associate of CIH, is connected person of

the Company. Accordingly, the transaction contemplated under the 2019 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 2019 Cross Guarantee Agreement constitutes non-exempt continuing connected transaction for the Company and is subject to the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

Mr. Lee Jin Yi and Mr. Stephen Burnau Hunt are the common directors of the Company and CIH, but they do not hold any equity interest in Jilin Haizi. Therefore, they do not consider themselves to have material interests in the transaction contemplated under the 2019 Cross Guarantee Agreement and have not abstained from voting on the resolutions of the Board to approve the transaction thereunder.

Mr. Wu Zhen Tao is the common director of the Company and CIH and is also indirectly holding 61.74% of CIH shares. Given Jilin Haizi is an indirect wholly-owned subsidiary of CIH, he has abstained from voting on the resolutions of the Board to approve the transaction contemplated under the 2019 Cross Guarantee Agreement.

Except as mentioned above, no other Director has a material interest in the 2019 Cross Guarantee Agreement and has abstained from voting on the relevant board resolution approving the transaction thereunder.

An EGM will be convened and held, among other things, to seek approval from the Independent Shareholders in relation to the 2019 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 2019 Cross Guarantee Agreement and the transaction contemplated thereunder. Gram Capital has been appointed as the 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 the 2019 Cross Guarantee Agreement, a letter of advice from the Independent Financial Adviser to the Independent Board Committee, a letter of advice containing the recommendation of the Independent Board Committee to the Independent Shareholders and the Notice of the EGM and the form of proxy, will be despatched to the Shareholders on or before 17 May 2019.

DEFINITIONS

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

“2016 Cross Guarantee Agreement”	the existing 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;
“2019 Cross Guarantee Agreement”	the agreement entered into between Jilin Haizi, Ningbo Liwah and Lansen BVI on 3 May 2019, 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;
“associate(s)”	has the meaning given to it under the 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;
“Company”	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;
“connected person”	has the meaning given to it under the Listing Rules;
“continuing connected transaction”	has the meaning given to it under the Listing Rules;
“Directors”	the directors of the Company, and a “Director” means any one of them;
“Effective Period”	the effective period of the 2019 Cross Guarantee Agreement, commencing on 1 July 2019 and expiring on 30 June 2022;
“EGM”	an extraordinary general meeting of the Company to be held to approve, the 2019 Cross Guarantee Agreement (including Proposed Guarantee Cap) and the transaction contemplated thereunder;
“Group”	the Company and its subsidiaries from time to time;

“Guarantees”	the Jilin Haizi Guarantees and the Lansen BVI Guarantees;
“Gram Capital” or “Independent Financial Adviser”	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) and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the 2019 Cross Guarantee Agreement and the transactions contemplated thereunder;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	the board committee of the Board comprising all independent non-executive Directors established by the Board to advise the Independent Shareholders on the 2019 Cross Guarantee Agreement and the transaction contemplated thereunder and how to vote in respect of the 2019 Cross Guarantee Agreement at the EGM;
“Independent Shareholders”	the Shareholders other than CIH;
“Jilin Haizi”	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;
“Jilin Haizi Guarantees”	the guarantees to be provided by Jilin Haizi for the obligations under the bank facilities obtained or to be obtained by Ningbo Liwah during the Effective Period pursuant to the 2019 Cross Guarantee Agreement;
“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 from time to time;
“Lansen BVI Guarantees”	the guarantees to be provided by Lansen BVI’s subsidiary, as appropriate, for the obligations under the bank facilities to be obtained by Jilin Haizi during the Effective Period pursuant to the 2019 Cross Guarantee Agreement;

“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Ningbo Liwah”	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;
“Percentage Ratios”	the percentage ratios under Rule 14.07 of the Listing Rules;
“PRC”	The People’s Republic of China;
“Proposed Guarantee Cap”	the maximum aggregate value of the guarantees that Lansen BVI has agreed to procure its subsidiary, as appropriate, to provide to Jilin Haizi under the reciprocal arrangement of the 2019 Cross Guarantee Agreement during the Effective Period;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Shareholder(s)”	registered holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary”	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;
“%”	per cent.

By order of the Board
Lansen Pharmaceutical Holdings Limited
Wu Zhen Tao
Chairman

Hong Kong, 3 May 2019

As at the date of this announcement, the executive managing Director is Mr. Chen Li; the non-executive Directors are Mr. Wu Zhen Tao, Mr. Lee Jin Yi, Ms. Liu Xue Zi and Mr. Stephen Burnau Hunt; the independent non-executive Directors are Mr. Chan Kee Huen, Michael, Mr. Fritz Heinrich Horlacher and Mr. Yeung Tak Bun, Allen.

* *For identification purpose only*