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# THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of the Proposal, this Scheme Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant, or other professional adviser.

If you have sold or transferred all your Shares in **Lansen Pharmaceutical Holdings Limited**, you should at once hand this Scheme Document and the accompanying forms of proxy to the purchaser or transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Scheme Document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Scheme Document.

This Scheme Document appears for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Offeror or Lansen Pharmaceutical Holdings Limited nor is it a solicitation of any vote or approval in any jurisdiction. This Scheme Document is not for release, publication or distribution in or into any jurisdiction where to do so would constitute a violation of the relevant laws of such jurisdiction. Scheme Shareholders residing in jurisdictions other than Hong Kong should inform themselves about and observe all legal and regulatory requirements applicable to them.

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**CATHAY INTERNATIONAL PHARMA MANUFACTURE  
AND DISTRIBUTION (CHINA) LIMITED**

*(incorporated in the British Virgin Islands with limited liability)*

**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)**

**(1) PROPOSED PRIVATISATION OF  
LANSEN PHARMACEUTICAL HOLDINGS LIMITED  
BY THE OFFEROR  
BY WAY OF A SCHEME OF ARRANGEMENT  
UNDER SECTION 86 OF THE COMPANIES ACT;  
AND  
(2) PROPOSED WITHDRAWAL OF LISTING OF  
LANSEN PHARMACEUTICAL HOLDINGS LIMITED**

**Financial Adviser to the Offeror**



**YU MING INVESTMENT MANAGEMENT LIMITED**

**禹銘投資管理有限公司**

**Independent Financial Adviser to the Independent Board Committee**

**ALTUS CAPITAL LIMITED**

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Unless the context otherwise requires, capitalised terms used hereunder have the same meanings as those defined in the section headed "Definitions" of this Scheme Document.

This Scheme Document comprises, among other things, (i) a letter from the Board as set out in Part I of this Scheme Document; (ii) a letter from the Independent Board Committee containing its advice to the Disinterested Scheme Shareholders in respect of the Proposal and the Scheme and as to voting as set out in Part II of this Scheme Document; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee, containing its advice to the Independent Board Committee in respect of the Proposal and the Scheme and as to voting as set out in Part III of this Scheme Document; and (iv) an Explanatory Memorandum regarding the Proposal as set out in Part IV of this Scheme Document.

Notices convening the Court Meeting and the General Meeting to be held at The Executive Centre, Level 35, Two Pacific Place, No. 88 Queensway, Admiralty, Hong Kong on Monday, 27 November 2023 at 10:00 a.m. and 10:30 a.m. respectively (and in the case of the General Meeting, if later, as soon as practicable after the conclusion or adjournment of the Court Meeting) are set out in Appendix IV and Appendix V to this Scheme Document respectively. Whether or not you are able to attend the Court Meeting and/or the General Meeting, you are strongly urged to complete and sign the enclosed **PINK** form of proxy in respect of the Court Meeting and the enclosed **WHITE** form of proxy in respect of the General Meeting, in accordance with the instructions printed on them respectively, and to lodge them at the Share Registrar, Link Market Services (Hong Kong) Pty Ltd., at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong as soon as possible but in any event not later than the respective times and dates as stated in the section headed "Actions to be taken" of this Scheme Document. The **PINK** form of proxy in respect of the Court Meeting may alternatively be handed to the chairman of the Court Meeting. The **WHITE** form of proxy in respect of the General Meeting will not be valid if it is not so lodged. Completion and return of a form of proxy for the Court Meeting and/or the General Meeting will not preclude you from attending and voting at the relevant meeting or any adjournment thereof should you so wish, and in such event, the relevant form of proxy will be revoked by operation of law.

This Scheme Document is issued jointly by the Offeror and the Company.

In case of any inconsistency, the English language text of this Scheme Document and the accompanying forms of proxy shall prevail over the Chinese language text.

28 October 2023

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## DEFINITIONS

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*In this document, the following expressions have the meanings respectively set opposite to them, unless the context otherwise requires:*

“acting in concert”	has the meaning ascribed to it in the Takeovers Code, and “persons acting in concert” and “concert parties” shall be construed accordingly
“Announcement”	the announcement dated 15 September 2023 issued jointly by the Offeror and the Company pursuant to Rule 3.5 of the Takeovers Code in relation to the Proposal and the Scheme
“Announcement Date”	15 September 2023, being the date of the Announcement
“associate(s)”	has the meaning ascribed to it in the Takeovers Code
“Audited NAV”	the audited consolidated net asset value attributable to owners of the Company of approximately US\$121,950,000 (equivalent to approximately HK\$956,088,000) as at 31 December 2022
“Audited NAV per Share”	the Audited NAV divided by 419,328,434 Shares in issue as at the Last Trading Date
“Audited NTA”	the audited consolidated net tangible asset attributable to owners of the Company of approximately US\$93,913,000 (equivalent to approximately HK\$736,278,000) as at 31 December 2022 which is calculated by deducting the intangible assets and goodwill of the Company from the Audited NAV
“Audited NTA per Share”	the Audited NTA divided by 419,328,434 Shares in issue as at the Last Trading Date
“Beneficial Owner”	any beneficial owner of the Shares registered in the name of any nominee, trustee, depository or any other authorised custodian or third party
“Board”	the board of Directors
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“Cathay Group”	CIH and its subsidiaries
“CCASS”	the Central Clearing and Settlement System established and operated by the HKSCC

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## DEFINITIONS

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“CCASS Participant(s)”	person(s) admitted to participate in CCASS as a direct clearing participant, general clearing participant, a custodian participant or an Investor Participant who may be an individual or joint individuals or a corporation
“CIH”	Cathay International Holdings Limited, a company incorporated in Bermuda which indirectly wholly owns the entire equity interests of the Offeror and is wholly-owned by First Lucky Star Trust whose settlor is Mr. Wu Zhen Tao
“Companies Act”	the Companies Act (2023 Revision) (As Revised) of the Cayman Islands
“Company”	Lansen Pharmaceutical Holdings Limited (朗生醫藥控股有限公司), an exempted 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: 503)
“Condition(s)”	the condition(s) to the Proposal as set out in the section headed “The Proposal– Conditions of the Proposal” in the Explanatory Memorandum set out in Part IV of this Scheme Document
“connected person(s)”	has the meaning given to it in the Listing Rules
“controlling shareholder”	has the meaning given to it in the Listing Rules
“Court Meeting”	a meeting of the Scheme Shareholders convened at the direction of the Grand Court to be held at 10:00 a.m. on Monday, 27 November 2023 at The Executive Centre, Level 35, Two Pacific Place, No. 88 Queensway, Admiralty, Hong Kong, notice of which is set out in Appendix IV to this Scheme Document, at which the Scheme (with or without modification) will be voted upon, or any adjournment thereof
“Director(s)”	the director(s) of the Company
“Disinterested Scheme Shareholder(s)”	the Shareholder(s) other than the Offeror and the Offeror Concert Parties
“Effective Date”	the date on which the Scheme becomes effective in accordance with its terms and Companies Act and the Conditions
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate thereof
“Explanatory Memorandum”	the explanatory memorandum as set out in Part IV of this Scheme Document

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## DEFINITIONS

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“General Meeting”	an extraordinary general meeting to be held at 10:30 a.m. on Monday, 27 November 2023 (or, if later, as soon as practicable after the conclusion or adjournment of the Court Meeting) at The Executive Centre, Level 35, Two Pacific Place, No. 88 Queensway, Admiralty, Hong Kong for the Shareholders to consider and, if thought fit, approve all necessary resolution(s) for the implementation to the Proposal, notice of which is set out in Appendix V to this Scheme Document, or any adjournment thereof
“Grand Court”	the Grand Court of the Cayman Islands
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Directors comprising Ms. Liu Xuezi, a non-executive Director and Mr. Chan Kee Huen, Michael, Mr. Yeung Tak Bun, Allen, Ms. Chan Ching Har, Eliza and Dr. Zhu Xun, each an independent non-executive Director established for the purpose of advising the Disinterested Scheme Shareholders in respect of the Proposal and the Scheme and as to voting
“Independent Financial Adviser” or “Altus Capital”	Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee in relation to the Proposal and the Scheme and as to voting
“Investor Participant”	a person admitted to participate in CCASS as an investor participant
“Interim Dividend”	the interim dividend of HK\$0.05 per Share for the year ended 31 December 2022 payable wholly in the form of allotment of the Interim Dividend Shares under the Share Dividend Scheme to the Shareholders whose names appeared on the register of members of the Company on 14 April 2023
“Interim Dividend Shares”	Shares allotted, issued and credited as fully paid up under the Share Dividend Scheme

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## DEFINITIONS

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“Last Trading Date”	7 September 2023, being the last trading day on which the Shares were traded on the Stock Exchange before the issuance of the Announcement
“Latest Practicable Date”	25 October 2023, being the latest practicable date prior to the despatch of this Scheme Document for the purpose of ascertaining certain information contained in this Scheme Document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 April 2024, or such other date as may be agreed between the Offeror and the Company or, to the extent applicable, as the Grand Court may direct and in all cases, as permitted by the Executive
“Meeting Record Date”	Monday, 27 November 2023, or such other time and date as shall have been announced to the Shareholders, being the record date for the purpose of determining the entitlement of Scheme Shareholders to attend and vote at the Court Meeting and Shareholders to attend and vote at the General Meeting
“Offer Period”	has the meaning given to it in the Takeovers Code
“Offeror”	Cathay International Pharma Manufacture and Distribution (China) Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by First Lucky Star Trust whose settlor is Mr. Wu Zhen Tao
“Offeror Concert Parties”	persons acting, or presumed to be acting, in concert with the Offeror or Mr. Wu Zhen Tao (including but not limited to the Offeror Concert Party Not Subject to the Scheme and Offeror Concert Party Subject to the Scheme)
“Offeror Concert Party Not Subject to the Scheme”	Cosmos Skyland Limited, which is a company wholly-owned by Mr. Wu Zhen Tao and a party acting in concert with the Offeror but not subject to the Scheme
“Offeror Concert Party Subject to the Scheme”	Mr. Patrick Sung, who is a party acting in concert with the Offeror and subject to the Scheme

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## DEFINITIONS

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“person”	any natural person, firm, company, joint venture, partnership, corporation, association or other entity (whether or not having a separate legal personality) or any of them as the context so requires
“PRC”	the People’s Republic of China, but for the purpose of this Scheme Document, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Proposal”	the proposal for the privatisation of the Company by the Offeror by way of the Scheme and the withdrawal of listing of the Shares from the Stock Exchange
“Registered Owner”	any owner of the Shares (including without limitation a nominee, trustee, depository or any other authorised custodian or third party) entered in the register of members of the Company
“Registrar of Companies”	the Registrar of Companies in the Cayman Islands
“Relevant Period”	the period commencing on the date six months before the commencement date of the Offer Period and ending on the Latest Practicable Date
“Review Period”	the twelve months period immediately prior to and including the Last Trading Date
“RMB”	Renminbi, the lawful currency of the PRC
“Scheme”	the scheme of arrangement under section 86 of the Companies Act for the implementation of the Proposal
“Scheme Consideration”	the scheme consideration of HK\$1.80 per Scheme Share cancelled and extinguished, payable in cash by the Offeror to the Scheme Shareholders pursuant to the Scheme
“Scheme Document”	this scheme document of the Offeror and the Company containing, among other things, further details of the Proposal and the Scheme
“Scheme Record Date”	Friday, 15 December 2023, or such other date as shall have been announced to the Shareholders, being the record date for determining the entitlements of the Scheme Shareholders to the Scheme Consideration under the Scheme

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## DEFINITIONS

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“Scheme Share(s)”	the Share(s) in issue on the Scheme Record Date other than those held by the Offeror and the Offeror Concert Party Not Subject to the Scheme
“Scheme Shareholder(s)”	registered holder(s) of the Scheme Shares as at the Scheme Record Date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Registrar”	the Company’s branch share registrar in Hong Kong (being Link Market Services (Hong Kong) Pty Limited, at Suite 1601, 16/F, Central Tower, 28 Queen’s Road Central, Hong Kong)
“Share(s)”	ordinary share(s) with a nominal value of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Share Dividend Scheme”	the scheme that the Interim Dividend be satisfied wholly in the form of an allotment of Shares credited as fully paid up (i.e. Interim Dividend Shares) without offering any right to Shareholders to elect to receive the Interim Dividend in cash in lieu of such allotment
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“trading day”	a day on which the Stock Exchange is open for the business of dealings in securities
“Unaudited NAV”	the unaudited net asset value attributable to owners of the Company of approximately US\$123,640,000 (equivalent to approximately HK\$969,338,000) as at 30 June 2023
“Unaudited NAV per Share”	the Unaudited NAV divided by 419,328,434 Shares in issue as at the Last Trading Date



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## DEFINITIONS

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“Unaudited NTA”	the unaudited net tangible asset attributable to owners of the Company of approximately US\$95,739,000 (equivalent to approximately HK\$750,594,000) as at 30 June 2023, which is calculated by deducting the intangible assets and goodwill of the Company from the Unaudited NAV
“Unaudited NTA per Share”	the Unaudited NTA divided by 419,328,434 Shares in issue as at the Last Trading Date
“US”	the United States of America
“US\$”	US dollars, the lawful currency of the US
“Yu Ming”	Yu Ming Investment Management Limited, a corporation licenced under the SFC and permitted to carry out types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO, being the financial adviser to the Offeror in respect of the Proposal
“%”	per cent.

*Notes:*

1. Exchange rates used for the purpose of this Scheme Document are 1 US dollar equals to 7.84 Hong Kong dollars and 1 RMB equals to 1.092 Hong Kong dollars.
2. Certain amounts and percentage figures in this Scheme Document have been subject to rounding adjustments.
3. The singular includes the plural and vice versa, unless the context otherwise requires.
4. References to any appendix, paragraph and any sub-paragraphs of them are references to the appendices to, and paragraphs of, this Scheme Document and any sub-paragraphs of them respectively.
5. References to any statute or statutory provision include a statute or statutory provision which amends, consolidates or replaces the same whether before or after the date of this Scheme Document.
6. Reference to one gender is a reference to all or any genders.

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## ACTIONS TO BE TAKEN

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### ACTIONS TO BE TAKEN BY SHAREHOLDERS

For the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlements of the Shareholders to attend and vote at the General Meeting, the register of members of the Company will be closed from Monday, 20 November 2023 to Monday, 27 November 2023 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and/or the General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Share Registrar, Link Market Services (Hong Kong) Pty Limited, at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong by not later than 4:30 pm on Friday, 17 November 2023. A subsequent purchaser of the Shares will need to obtain the relevant proxy form(s) from the transferor if he/she wishes to attend or vote at the Court Meeting and/or the General Meeting.

A **PINK** form of proxy for use at the Court Meeting and a **WHITE** form of proxy for use at the General Meeting are enclosed with this Scheme Document.

**Whether or not you are able to attend the Court Meeting and/or the General Meeting, you are strongly urged to complete and sign the enclosed PINK form of proxy in respect of the Court Meeting and the enclosed WHITE form of proxy in respect of the General Meeting, in accordance with the instructions printed on them respectively, and to deposit them at the office of the Share Registrar, Link Market Services (Hong Kong) Pty Limited, at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong as soon as possible and in any event on or before 10:00 a.m. (Hong Kong time) on Saturday, 25 November 2023 in the case of the PINK form of proxy for the Court Meeting and on or before 10:30 a.m. (Hong Kong time) on Saturday, 25 November 2023 in the case of the WHITE form of proxy for the General Meeting).**

In order to be valid, the **PINK** form of proxy for use at the Court Meeting should be lodged not later than 48 hours before the time appointed for holding the Court Meeting (i.e. on or before 10:00 a.m. (Hong Kong time) on Saturday, 25 November 2023). The **PINK** form of proxy may alternatively be handed to the chairman of the Court Meeting, who is disinterested and independent from the Offeror and the Offeror Concert Parties, who shall have absolute discretion as to whether or not to accept it if it is not so lodged. The **WHITE** form of proxy for use at the General Meeting must be lodged not later than 48 hours before the time appointed for holding the General Meeting (i.e. on or before 10:30 a.m. (Hong Kong time) on Saturday, 25 November 2023), failing which it will not be valid. The completion and return of the relevant forms of proxy will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof should you so wish and in such event, the returned forms of proxy will be revoked by operation of law.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the General Meeting, you will still be bound by the outcome of the Court Meeting and the General Meeting. You are therefore strongly urged to attend and vote at the Court Meeting and the General Meeting in person or by proxy.

Voting at the Court Meeting and the General Meeting will be taken by poll.

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## ACTIONS TO BE TAKEN

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### **Announcement of results of the Court Meeting and the General Meeting**

Joint announcement(s) will be made by the Offeror and the Company in relation to the results of the Court Meeting and the General Meeting. If all of the requisite resolutions are passed at those meetings, further announcement(s) will be made in relation to, among other things, the results of the Grand Court hearing to sanction the Scheme, the Effective Date and the date of withdrawal of the listing of the Shares on the Stock Exchange.

### **Shareholders who have sold/transferred Shares should hand this Scheme Document and forms of proxy to the purchaser/transferee.**

If you have sold or transferred all of your Shares, you should at once hand this Scheme Document and the accompanying forms of proxy to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

**Shareholders and potential investors of the Company are advised to read this Scheme Document carefully, in particular, (i) the letter from the Independent Board Committee containing its advice to the Disinterested Scheme Shareholders in respect of the Proposal and the Scheme and as to voting set out in Part II of this Scheme Document; and (ii) the letter from the Independent Financial Adviser to the Independent Board Committee, containing its advice to the Independent Board Committee in respect of the Proposal and the Scheme and as to voting set out in Part III of this Scheme Document, before voting at the Court Meeting and/or the General Meeting.**

### **Actions to be taken by Beneficial Owners whose Shares are deposited in CCASS**

The Company will not recognise any person as holding any Shares on trust.

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees, you should, unless you are admitted to participate in CCASS as an Investor Participant:

- (a) contact your broker, custodian, nominee or other relevant person who is, or has in turn deposited such Shares with, a CCASS Participant regarding voting instructions to be given to such persons; or
- (b) arrange for some or all of such Shares to be withdrawn from CCASS and transferred them into your own name by lodging all the transfer documents with relevant share certificates on or before 4:30 p.m. on Friday, 17 November 2023 with the Share Registrar, Link Market Services (Hong Kong) Pty Limited, at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong and become a Registered Owner as of the Meeting Record Date if you wish to attend and vote (in person or by proxy) at the Court Meeting and/or the General Meeting.

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## ACTIONS TO BE TAKEN

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The procedures for voting by the Investor Participants and other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees shall be in accordance with the “Operating Guide for Investor Participants”, the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

### **Actions to be taken by Beneficial Owners whose Shares are held by a Registered Owner other than HKSCC Nominees**

The Company will not recognise any person as holding any Shares on trust.

If you are a Beneficial Owner whose Shares are registered in the name of a Registered Owner (other than HKSCC Nominees), you should contact the Registered Owner to give instructions to and/or to make arrangements with the Registered Owner as to the manner in which the Shares beneficially owned by you should be voted at the Court Meeting and/or the General Meeting.

If you are a Beneficial Owner who wishes to attend and vote at the Court Meeting and/or the General Meeting personally, you should:

- (a) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or the General Meeting and, for such purpose, the Registered Owner may appoint you as its proxy; or
- (b) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name by lodging all the transfer documents with relevant share certificates on or before 4:30 p.m. on Friday, 17 November 2023 with the Share Registrar, Link Market Services (Hong Kong) Pty Limited, at Suite 1601, 16/F, Central Tower, 28 Queen’s Road Central, Hong Kong and become a Registered Owner as of the Meeting Record Date, if you wish to attend and vote (in person or by proxy) at the Court Meeting and/or the General Meeting.

Instructions to and/or arrangements with the Registered Owner should be given or made in advance of the relevant latest time for the lodgement of forms of proxy in respect of the Court Meeting and the General Meeting, or as applicable, the latest time for lodging transfer of Shares, in order to provide the Registered Owner with sufficient time to complete his/her forms of proxy accurately and to submit them by the deadline. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner by a particular date or time in advance of the relevant latest time for the lodgement of forms of proxy in respect of the Court Meeting and the General Meeting, or as applicable, the latest time for lodging transfer of Shares, any such Beneficial Owner should comply with the requirements of such Registered Owner.

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## ACTIONS TO BE TAKEN

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### EXERCISE YOUR RIGHT TO VOTE

If you are a Shareholder or a Beneficial Owner, you are strongly encouraged to exercise your right to vote or to give instructions to the relevant Registered Owner to vote in person or by proxy at the Court Meeting and/or the General Meeting. If you keep any Shares in a share lending programme, you are encouraged to recall any outstanding Shares on loan to avoid market participants using borrowed stock to vote.

If you are a Beneficial Owner whose Shares are deposited in CCASS, you are strongly urged to provide HKSCC Nominees with instructions or make arrangements with HKSCC Nominees in relation to the manner in which those Shares should be voted at the Court Meeting and/or at the General Meeting without delay and/or withdrawn from CCASS and transferred into your name.

If you are a Registered Owner holding shares on behalf of Beneficial Owner(s), you should inform the relevant Beneficial Owner(s) about the importance of exercising their right to vote.

If you are in any doubt as to the action to be taken, you are encouraged to consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

### PETITION HEARING AT THE GRAND COURT

Any Scheme Shareholders who voted at the Court Meeting (including any Beneficial Owners who gave voting instructions to a custodian or clearing house who subsequently voted at the Court Meeting) should note that they are entitled to attend or appear by counsel, and be heard on the hearing of the petition at the Grand Court of the Cayman Islands which is expected to be at 10:00 a.m. on Thursday, 14 December 2023 (Cayman Islands time), at which the Company will seek, among other things, the sanction of the Scheme.

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## EXPECTED TIMETABLE

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The timetable set out below is indicative only and is subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company. Unless otherwise specified, all times and dates refer to Hong Kong local time and dates.

**2023**

Despatch date of this Scheme Document. . . . . Saturday, 28 October

Latest time for lodging transfers of Shares in  
order to qualify for entitlement to attend and vote  
at the Court Meeting and the General Meeting . . . . . 4:30 p.m. on  
Friday, 17 November

Register of members of the Company closed for  
determining entitlement to attend and vote at the  
Court Meeting and the General Meeting (*Note 1*) . . . . . Monday, 20 November to  
Monday, 27 November  
(both days inclusive)

Latest time for lodging forms of proxy in respect of:

Court Meeting (*Note 2*) . . . . . 10:00 a.m. on  
Saturday, 25 November

General Meeting (*Note 2*) . . . . . 10:30 a.m. on  
Saturday, 25 November

Meeting Record Date . . . . . Monday, 27 November

Court Meeting (*Note 3*) . . . . . 10:00 a.m. on  
Monday, 27 November

General Meeting (*Note 3*) . . . . . 10:30 a.m. on  
Monday, 27 November  
(or, if later, as soon as practicable after the conclusion  
or adjournment of the Court Meeting)

Announcement of the results of the Court Meeting  
and the General Meeting posted on the website of  
the Stock Exchange . . . . . no later than 7:00 p.m. on  
Monday, 27 November

Expected latest time for trading of  
the Shares on the Stock Exchange . . . . . 4:10 p.m. on  
Tuesday, 28 November

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## EXPECTED TIMETABLE

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Latest time for lodging transfers of the Shares in order for entitlements under the Scheme .....	4:30 p.m. on Thursday, 14 December
Grand Court hearing of the petition for the sanction of the Scheme ( <i>Note 5</i> ) .....	10:00 a.m. on Thursday, 14 December (Cayman Islands time)
Register of members of the Company closed for determining entitlements to qualify under the Scheme ( <i>Note 4</i> ) .....	from Friday, 15 December onwards
Announcement of (i) the results of the Grand Court hearing of the petition for the sanction of the Scheme; (ii) expected Effective Date; and (iii) the expected date of withdrawal of listing of the Shares on the Stock Exchange posted on the website of the Stock Exchange .....	at or before 8:30 a.m. on Friday, 15 December
Scheme Record Date .....	Friday, 15 December
Effective Date ( <i>Note 5</i> ) .....	Friday, 15 December (Cayman Islands time)
Announcement of (i) the Effective Date; and (ii) the withdrawal of listing of the Shares on the Stock Exchange posted on the website of the Stock Exchange .....	before 8:30 a.m. on Monday, 18 December
Withdrawal of listing of the Shares on the Stock Exchange becomes effective .....	9:00 a.m. on Tuesday, 19 December
Latest time to despatch cheques for the cash payment under the Proposal ( <i>Note 6</i> ) .....	on or before Thursday, 28 December

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## EXPECTED TIMETABLE

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*Notes:*

1. The register of members of the Company will be closed during such period for the purpose of determining entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and of the Shareholders to attend and vote at the General Meeting. For the avoidance of doubt, this period of closure is not for determining entitlements under the Scheme.
2. The **PINK** form of proxy in respect of the Court Meeting must be completed and signed in accordance with the instructions printed thereon and should be lodged at the Share Registrar at Suite 1601, 16th floor, Central Tower, 28 Queen's Road Central, Hong Kong by the time and date stated above. The **PINK** form of proxy for use at the Court Meeting may alternatively be handed to the chairman of the Court Meeting, who is disinterested and independent from the Offeror and the Offeror Concert Parties, who shall have absolute discretion as to whether or not to accept it if it is not so lodged. The **WHITE** form of proxy in respect of the General Meeting must be completed and signed in accordance with the instructions printed thereon and must be lodged at the Share Registrar at Suite 1601, 16th floor, Central Tower, 28 Queen's Road Central, Hong Kong by the time and date stated above. The **WHITE** form of proxy in respect of the General Meeting will not be valid if it is not so lodged. The completion and return of a form of proxy for the Court Meeting and/or the General Meeting will not preclude a Scheme Shareholder or Shareholder (as the case may be) from attending and voting in person at the relevant meeting or any adjournment thereof if he/she so wishes. and in such event, the returned form of proxy will be revoked by operation of law.
3. For further details relating to the Court Meeting and the General Meeting, please see the notice of Court Meeting set out in Appendix IV to this Scheme Document and the notice of General Meeting set out in Appendix V to this Scheme Document. If a tropical cyclone warning signal No. 8 or above is or is expected to be hoisted or a black rainstorm warning signal or "extreme conditions" caused by super typhoons is or is expected to be in force at any time after 8:00 a.m. on the date of the Court Meeting and the General Meeting, the Court Meeting and the General Meeting may be adjourned. The Company will post an announcement on the respective websites of the Stock Exchange and the Company to notify the Scheme Shareholders and Shareholders (as the case may be) of the date, time and venue of the reconvened meetings.
4. The register of members of the Company will be closed during such period for the purpose of determining Scheme Shareholders who are qualified for entitlements under the Scheme.
5. The Scheme will become effective upon all the Conditions set out in the paragraph headed "The Proposal - Conditions of the Proposal" in the Explanatory Memorandum set out in Part IV of this Scheme Document having been fulfilled or (to the extent permitted) waived (as the case may be).
6. Cheques for the entitlement in respect of the Scheme Consideration will be despatched by ordinary post addressed to the persons entitled thereto at their respective registered addresses as appearing in the register of members of the Company as at the Scheme Record Date or, in the case of joint holders, at the address appearing in the register of members of the Company as at the Scheme Record Date of the joint holder whose name then stands first in the register of members of the Company in respect of the relevant joint holding as soon as possible but in any event within 7 Business Days (as defined in the Takeovers Code) following the Effective Date. All such cheques will be posted at the risk of the person(s) entitled thereto and none of the Offeror, the Company, Yu Ming, the Independent Financial Adviser, the Share Registrar and their respective nominees, directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal will be responsible for any loss or delay in despatch.



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**PART I LETTER FROM THE BOARD**

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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)**

*Executive managing Director:*

Mr. Chen Li

*Non-executive Directors:*

Mr. Wu Zhen Tao

Ms. Liu Xuezi

*Independent non-executive Directors:*

Mr. Chan Kee Huen, Michael

Mr. Yeung Tak Bun, Allen

Ms. Chan Ching Har, Eliza

Dr. Zhu Xun

*Registered office:*

Windward 3

Regatta Office Park

P.O. Box 1350

Grand Cayman

KY1-1108

Cayman Islands

*Headquarters and principal*

*place of business in the PRC:*

228 Xinfeng Road

Gaoqiao Industrial Park

Haishu District, Ningbo City

Zhejiang Province

PRC

Postal Code: 315174

28 October 2023

*To the Shareholders*

Dear Sir or Madam,

**(1) PROPOSED PRIVATISATION OF  
LANSEN PHARMACEUTICAL HOLDINGS LIMITED BY  
CATHAY INTERNATIONAL PHARMA MANUFACTURE AND  
DISTRIBUTION (CHINA) LIMITED  
BY WAY OF A SCHEME OF ARRANGEMENT  
UNDER SECTION 86 OF THE COMPANIES ACT;  
AND  
(2) PROPOSED WITHDRAWAL OF LISTING OF  
LANSEN PHARMACEUTICAL HOLDINGS LIMITED**

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## PART I LETTER FROM THE BOARD

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### INTRODUCTION

On 8 September 2023, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders which will involve the proposed privatisation of the Company by way of a scheme of arrangement under section 86 of the Companies Act involving cancellation and extinguishment of all the Scheme Shares and simultaneous allotment and issuance of an equivalent number of new Shares to the Offeror.

As at the Last Trading Date, the Offeror and the Offeror Concert Parties were interested in 286,107,359 Shares, representing approximately 68.23% of the total issued Shares. The Offeror Concert Party Subject to the Scheme beneficially owns 23,035 Shares, representing approximately 0.01% of the total issued Shares, whereas the Offeror and Offeror Concert Party Not Subject to the Scheme beneficially own 286,084,324 Shares, representing approximately 68.22% of the total issued Shares.

If the Proposal is approved and implemented:

- (a) all the Scheme Shares held by the Scheme Shareholders will be cancelled and extinguished on the Effective Date in exchange for the payment by the Offeror to each Scheme Shareholder of the Scheme Consideration of HK\$1.80 in cash for each Scheme Share cancelled and extinguished;
- (b) the issued share capital of the Company will be maintained at the amount immediately prior to the cancellation and extinguishment of the Scheme Shares by the simultaneous allotment and issuance to the Offeror of the same number of new Shares as the number of Scheme Shares cancelled and extinguished, and the credit arising in the Company's books of account as a result of the cancellation and extinguishment of the Scheme Shares will be applied in paying up in full at par the new Shares so allotted and issued to the Offeror;
- (c) the Offeror and the Offeror Concert Party Not Subject to the Scheme will in aggregate own 100% of the total number of Shares in issue; and
- (d) the Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange pursuant to Rule 6.15(2) of the Listing Rules, with effect immediately following the Effective Date.

The purpose of this Scheme Document is to provide you with further information regarding the Proposal and, in particular, the Scheme, and to give you notice of the Court Meeting and of the General Meeting (together with proxy forms in relation thereto). Your attention is also drawn to (i) the letter from the Independent Board Committee containing its advice to the Disinterested Scheme Shareholders in respect of the Proposal and the Scheme and as to voting set out in Part II of this Scheme Document; (ii) the letter from the Independent Financial Adviser to the Independent Board Committee, containing its advice to the Independent Board Committee in respect of the Proposal and the Scheme and as to voting set out in Part III of this Scheme Document; (iii) the Explanatory Memorandum set out in Part IV of this Scheme Document; and (iv) the terms of the Scheme set out in Appendix III to this Scheme Document.

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## PART I LETTER FROM THE BOARD

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### THE PROPOSAL

Subject to the Conditions described in the section headed “The Proposal - Conditions of the Proposal” in the Explanatory Memorandum set out in Part IV of this Scheme Document being fulfilled or waived (as applicable), the Proposal (including the Scheme) will become effective and binding on the Company and all Scheme Shareholders.

### Scheme Consideration

Under the Proposal, if the Scheme becomes effective, the Scheme Shareholders will be entitled to receive from the Offeror the Scheme Consideration of HK\$1.80 in cash for each Scheme Share, as consideration for the cancellation and extinguishment of the Scheme Shares.

As at the Latest Practicable Date, the Company has 419,328,434 Shares in issue. There are no outstanding options, warrants, derivatives, convertible securities or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company. The Company does not have any outstanding dividends declared and has no intention to declare such dividend prior to completion of the Proposal.

**The Scheme Consideration will not be increased, and the Offeror does not reserve the right to do so. Shareholders and potential investors should be aware that, following the making of such statement, the Offeror will not be allowed to increase the Scheme Consideration.**

If, after the Latest Practicable Date, any dividend and/or other distribution and/or other return of capital is announced, declared, or paid in respect of the Shares, the Offeror reserves the right to reduce the Scheme Consideration by all or any part of the net amount or value of such dividend, distribution and/or, as the case may be, return of capital after consultation with the Executive, in which case any reference in this Scheme Document or any other announcement or document to the Scheme Consideration will be deemed to be a reference to the Scheme Consideration as so reduced.

The Company has confirmed that it does not intend to announce, declare or pay any dividend, distribution or other return of capital during the offer period in relation to the Proposal. As at the Latest Practicable Date, there is no outstanding dividend in respect of the Shares that has been announced but not yet paid.

### Comparison of value

The Scheme Consideration of HK\$1.80 per Scheme Share represents:

- (i) a premium of approximately 26.76% over the closing price of HK\$1.42 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (ii) a premium of approximately 24.14% over the average closing price of approximately HK\$1.45 per Share as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Date;

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## PART I LETTER FROM THE BOARD

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- (iii) a premium of approximately 22.45% over the average closing price of approximately HK\$1.47 per Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Date;
- (iv) a premium of approximately 20.00% over the average closing price of approximately HK\$1.50 per Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Date;
- (v) a premium of approximately 20.81% over the average closing price of approximately HK\$1.49 per Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Date;
- (vi) a premium of approximately 23.29% over the average closing price of approximately HK\$1.46 per Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Date;
- (vii) a discount of approximately 21.05% to the Audited NAV per Share of approximately HK\$2.28 as at 31 December 2022; and a premium of approximately 2.27% over the Audited NTA per Share of approximately HK\$1.76 as at 31 December 2022;
- (viii) a discount of approximately 22.08% to the Unaudited NAV per Share of approximately HK\$2.31 as at 30 June 2023; and a premium of approximately 0.56% over the Unaudited NTA per Share of approximately HK\$1.79 as at 30 June 2023; and
- (ix) a premium of approximately 7.78% over the closing price of HK\$1.67 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

### **Basis of determining the Scheme Consideration**

The Scheme Consideration has been determined after taking into account, among others, the recently traded prices of the Shares on the Stock Exchange and the publicly available financial information of the Company, and with reference to prevailing privatisation transactions in Hong Kong.

### **Total consideration**

On the basis of the Scheme Consideration of HK\$1.80 per Scheme Share and 133,244,110 Scheme Shares in issue as at the Latest Practicable Date and assuming no further Shares will be issued on or before the Scheme Record Date, the maximum amount of cash required to effect the Proposal would be HK\$239,839,398.

### **Confirmation of financial resources**

Payment of the Scheme Consideration in cash under the Proposal by the Offeror will be financed by internal cash resources of the Offeror.

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## PART I LETTER FROM THE BOARD

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Yu Ming, as financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy the maximum amount of Scheme Consideration required to effect the Proposal.

### Conditions of the Proposal

The Proposal (including the Scheme) will become effective and binding on the Company and all Shareholders, subject to the fulfilment or waiver (as applicable) described in the section headed “The Proposal - Conditions of the Proposal” in the Explanatory Memorandum set out in Part IV of this Scheme Document:

If approved and implemented, the Scheme will be binding on all of the Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the General Meeting.

**Shareholders and/or potential investors should be aware that the implementation of the Proposal and the Scheme is subject to the Conditions being fulfilled or waived, as applicable, and therefore the Proposal may or may not be implemented and the Scheme may or may not become effective. Shareholders and/or potential investors should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should consult their stockbroker, licensed securities dealer, registered institution in securities, bank manager, solicitor or other professional advisers.**

## PART I LETTER FROM THE BOARD

### SHAREHOLDING STRUCTURE OF THE COMPANY

On the assumption that there is no other change in shareholding of the Company before completion of the Proposal, the table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the Proposal:

	As at the Latest Practicable Date		Immediately upon completion of the Proposal	
	<i>No. of Shares</i>	%	<i>No. of Shares</i>	%
<b>A. Offeror</b> <sup>Note 1</sup>	217,281,593	51.81%	350,525,703	83.59%
<b>B. Offeror Concert Party Not Subject to the Scheme</b>				
Cosmos Skyland Limited <sup>Note 2</sup>	68,802,731	16.41%	68,802,731	16.41%
<b>C. Offeror Concert Party Subject to the Scheme</b>				
Mr. Patrick Sung <sup>Note 3</sup>	23,035	0.01%	—	—
<b>Sub-total (A+B+C):</b>	286,107,359	68.23%	419,328,434	100.00%
<b>D. Disinterested Scheme Shareholders</b>				
Dr. Zhu Xun <sup>Note 4</sup>	140,836	0.03%	—	—
Public Shareholders	133,080,239	31.74%	—	—
<b>Sub-total:</b>	133,221,075	31.77%	—	—
<b>Total</b>	<u>419,328,434</u>	<u>100.00%</u>	<u>419,328,434</u>	<u>100.00%</u>
<b>E. Scheme Shareholders (C+D)</b>	<u>133,244,110</u>	<u>31.78%</u>	—	—

For the avoidance of doubt, the Scheme Shares comprise all Shares in issue on the Scheme Record Date other than those held by the Offeror or the Offeror Concert Party Not Subject to the Scheme.

*Notes:*

- The Offeror is a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by First Lucky Star Trust, the settlor of which is Mr. Wu Zhen Tao, and the beneficiaries includes Mr. Wu Zhen Tao and his family members. Upon the Scheme becoming effective, the share capital of the Company will be maintained at its former amount by the simultaneous allotment and issuance to the Offeror of the same number of the Shares as the number of Scheme Shares cancelled and extinguished, and the credit arising in the Company's books of account as a result of the cancellation and extinguishment of the Scheme Shares will be applied in paying up in full at par the new Shares so allotted and issued to the Offeror.

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## PART I LETTER FROM THE BOARD

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2. Cosmos Skyland Limited is a company incorporated in the British Virgin Islands with limited liability and is directly wholly owned by Mr. Wu Zhen Tao.
3. Mr. Patrick Sung is a director of the Offeror.
4. Dr. Zhu Xun being an independent non-executive Director and holder of 140,836 Shares (representing approximately 0.1% of the Scheme Shares) as at the Latest Practicable Date, is also a Disinterested Scheme Shareholder under the Scheme.

As at the Latest Practicable Date:

- (i) the issued share capital of the Company comprised 419,328,434 Shares;
- (ii) there were no outstanding options, warrants, derivatives, convertible securities or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company other than the 419,328,434 Shares;
- (iii) the Offeror directly held 217,281,593 Shares, representing approximately 51.81% of the total number of Shares in issue;
- (iv) the Offeror Concert Party Not Subject to the Scheme directly held 68,802,731 Shares, representing approximately 16.41% of the total number of Shares in issue;
- (v) the Offeror Concert Party Subject to the Scheme directly held 23,035 Shares, representing approximately 0.01% of the total number of Shares in issue;
- (vi) save as disclosed in paragraphs (iii), (iv) and (v) above, the Offeror and the Offeror Concert Parties did not legally and beneficially own, control or have direction over any other Shares;
- (vii) the Scheme Shares comprised a total of 133,244,110 Shares held or beneficially owned by the Disinterested Scheme Shareholders and the Offeror Concert Party Subject to the Scheme, representing approximately 31.78% of the total number of Shares in issue; and
- (viii) there were no convertible securities, warrants or options in respect of the Shares held, controlled or directed by the Offeror or Offeror Concert Parties.

For the avoidance of doubt, all the Scheme Shares will be cancelled upon the Scheme becoming effective.

Upon the Scheme becoming effective, the Offeror and the Offeror Concert Party Not Subject to the Scheme will collectively hold 100% of the total number of Shares in issue, of which (i) approximately 83.59% will be held by the Offeror; and (ii) approximately 16.41% will be held by the Offeror Concert Party Not Subject to the Scheme.

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## **PART I LETTER FROM THE BOARD**

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All Scheme Shareholders whose name appear in the register of members of the Company as at the Meeting Record Date will be entitled to attend and vote on the Scheme at the Court Meeting. For the purpose of Rule 2.10 of the Takeovers Code, only votes cast by the Disinterested Scheme Shareholders will be counted. Each of the Offeror and Offeror Concert Parties will procure that any Shares in respect of which they are legally and/or beneficially interested will not be represented nor voted at the Court Meeting.

The Offeror and each of the Offeror Concert Parties will undertake to the Grand Court to be bound by the terms of the Scheme and to execute and do and procure to be executed and done all such documents and things as may be necessary or desirable to be executed or done by each of them for the purposes of giving effect to the Scheme.

All Shareholders whose name appear in the register of members of the Company as at the Meeting Record Date will be entitled to attend and vote on the special resolution to be proposed at the General Meeting to approve and give effect to, among other things, (a) any reduction of the issued share capital of the Company associated with the cancellation and extinguishment of the Scheme Shares and (b) the simultaneous maintenance of the issued share capital of the Company at the amount immediately prior to the cancellation and extinguishment of the Scheme Shares by allotting and issuing to the Offeror the same number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished and applying the credit created as a result of the cancellation and extinguishment of the Scheme Shares to pay up in full such new Shares to be issued to the Offeror. The Offeror and the Offeror Concert Parties have indicated that they will vote in favour of such resolution to be proposed at the General Meeting.

### **REASONS FOR AND BENEFITS OF THE PROPOSAL**

You are urged to read carefully the section headed “Reasons for and benefits of the Proposal” in the Explanatory Memorandum set out in Part IV of this Scheme Document.

### **INTENTION OF THE OFFEROR IN RESPECT OF THE GROUP**

You are urged to read carefully the section headed “Intention of the Offeror in respect of the Group” in the Explanatory Memorandum set out in Part IV of this Scheme Document.

The Board noted the intentions of the Offeror in respect of the Company and the employees of the Group as disclosed in the Explanatory Memorandum set out in Part IV of this Scheme Document.

### **INFORMATION ON THE OFFEROR**

The Offeror is a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by First Lucky Star Trust, the settlor of which is Mr. Wu Zhen Tao, and the beneficiaries include Mr. Wu Zhen Tao and his family members. The Offeror is an investment holding company. The directors of the Offeror are Mr. Siu Ka Chi Eric and Mr. Patrick Sung.



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## **PART I LETTER FROM THE BOARD**

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Mr. Wu Zhen Tao is a non-executive Director and chairman of the Company. He is also the founder and the executive chairman of CIH, which indirectly wholly owns the entire equity interest of the Offeror, which in turn is interested in 217,281,593 Shares, representing approximately 51.81% of the total issued Shares as at the Latest Practicable Date. The Cathay Group has over 20 years' history of business and investment focused on the PRC. Mr. Wu Zhen Tao was born and educated in Beijing, he was graduated from the Beijing University of Technology in 1982 and he also hold a degree in Business Administration. Mr. Wu Zhen Tao acted as a senior executive in government scientific institutes in the PRC from 1982 to 1985 and as managing director of two newly established state-owned financial institutions in the PRC from 1986 to 1989. Since 1988, Mr. Wu Zhen Tao has, through companies, invested in and developed the Landmark Hotel (now called Crowne Plaza Hotel & Suites Landmark Shenzhen) in Shenzhen and established the Cathay International Water Limited group of companies, which made substantial investments in public utilities and infrastructure in the PRC, strategic shareholders of which included JP Morgan, Singapore Technologies, UBS, Banco Santander and Nomura JAFCO, and it was once the largest foreign investor in water and waste water treatment projects in the PRC with net assets of over US\$1 billion.

### **INFORMATION ON THE COMPANY**

The Company is an exempted limited liability company incorporated in the Cayman Islands and has been listed on the Main Board of the Stock Exchange since 7 May 2010. The Group is principally engaged in the pharmaceutical businesses in the PRC.

### **WITHDRAWAL OF LISTING OF THE SHARES**

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and extinguished (with the equivalent number of new Shares being allotted and issued as fully paid to the Offeror) and the share certificates for the Scheme Shares cancelled and extinguished will thereafter cease to have effect as documents or evidence of title. The Offeror has no intention to retain the Company's listing on the Stock Exchange, the Company will make an application for the listing of the Shares to be withdrawn from the Stock Exchange pursuant to Rule 6.15(2) of the Listing Rules, with effect immediately following the Effective Date.

Dealings in the Shares on the Stock Exchange are expected to cease after 4:10 p.m. on Tuesday, 28 November 2023, and the listing of the Shares on the Stock Exchange is expected to be withdrawn at 9:00 a.m. on Tuesday, 19 December 2023. The Shareholders will be notified by way of an announcement of the exact dates of the last day for dealing in the Shares and the day on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective.

### **IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES**

Subject to the requirements of the Takeovers Code, the Proposal will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date. If the Scheme is not approved or the Proposal otherwise lapses, the listing of the Shares on the Stock Exchange will not be withdrawn.

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## **PART I LETTER FROM THE BOARD**

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**If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under Rule 31.1 of the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor the Offeror Concert Parties (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive.**

### **OVERSEAS SHAREHOLDERS**

If you are an overseas holder of Scheme Shares, your attention is drawn to the section headed “Overseas Shareholders” in the Explanatory Memorandum set out in Part IV of this Scheme Document.

### **REGISTRATION AND PAYMENT**

Your attention is drawn to the section headed “Registration and Payment” in the Explanatory Memorandum set out in Part IV of this Scheme Document.

### **TAXATION, EFFECTS AND LIABILITIES**

It is emphasised that none of the Offeror and Offeror Concert Parties, the Company, Yu Ming, the Independent Financial Adviser and the Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal accept responsibility for any taxation or other effects on, or liabilities of, any person or persons as a result of their approval or rejection, or the implementation, of the Proposal. Accordingly, you are urged to read the section headed “Taxation Advice” in the Explanatory Memorandum set out in Part IV of this Scheme Document and if you are in any doubt as to any aspect of this Scheme Document or as to the action to be taken, you should consult an appropriately qualified professional adviser.

Pursuant to Rule 2.3 of the Takeovers Code, if the Scheme is not approved and the Proposal is either not recommended by the Independent Board Committee or not recommended as fair and reasonable by the Independent Financial Adviser, all costs and expenses incurred by the Company and the Offeror in connection with the Proposal shall be borne by the Offeror. Given that the Proposal is recommended by the Independent Board Committee and is recommended as fair and reasonable by the Independent Financial Adviser, the Company and the Offeror have agreed that all costs, charges and expenses of the advisers and counsel appointed by the Company, including the Independent Financial Adviser, will be borne by the Company, whereas all costs, charges and expenses of the advisers and counsels appointed by the Offeror will be borne by the Offeror, and other costs, charges and expenses of the Scheme and the Proposal will be shared between the Company and the Offeror equally.

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## **PART I LETTER FROM THE BOARD**

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### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

In accordance with Rules 2.1 and 2.8 of the Takeovers Code, a board which receives an offer must, in the interests of shareholders, establish an independent committee of the board to make a recommendation as to whether the offer is, or is not, fair and reasonable and as to acceptance or voting, and the members of the independent board committee should comprise all non-executive directors who have no direct or indirect interest in the offer.

The Board currently has two non-executive Directors and four independent non-executive Directors. Mr. Wu Zhen Tao, who is a non-executive Director and the ultimate beneficial owner of the Offeror, is not considered to be independent for the purpose of making a recommendation to the Disinterested Scheme Shareholders, and is therefore not included as members of the Independent Board Committee. Dr. Zhu Xun, who is an independent non-executive Director and holder of 140,836 Shares (representing approximately 0.1% of the Scheme Shares) as at the Latest Practicable Date, is also a Disinterested Scheme Shareholder under the Scheme and is considered to be independent for the purpose of making a recommendation to the Disinterested Scheme Shareholders.

As such, the Independent Board Committee, comprising Ms. Liu Xuezi, a non-executive Director, and all four independent non-executive Directors, namely, Mr. Chan Kee Huen, Michael, Mr. Yeung Tak Bun, Allen, Ms. Chan Ching Har, Eliza and Dr. Zhu Xun has been established to advise the Disinterested Scheme Shareholders as to whether the terms of the Proposal and the Scheme are fair and reasonable, and whether to vote in favour of the Proposal and the Scheme at the Court Meeting and the implementation of the Proposal at the General Meeting. Altus Capital has been appointed with the approval of the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code as the Independent Financial Adviser to advise the Independent Board Committee with respect to the Proposal and the Scheme and as to voting. Please refer to Part III of this Scheme Document for the full text of the letter from Altus Capital.

### **COURT MEETING AND GENERAL MEETING**

The Grand Court has directed that the Court Meeting be convened for the purpose of considering and, if thought fit, approving the Scheme (with or without modification).

All Scheme Shareholders whose name appear in the register of members of the Company as at the Meeting Record Date will be entitled to attend and vote on the Scheme at the Court Meeting. For the purpose of Rule 2.10 of the Takeovers Code, only votes cast by the Disinterested Scheme Shareholders will be counted. Each of the Offeror and Offeror Concert Parties will procure that any Shares in respect of which they are legally and/or beneficially interested will not be represented nor voted at the Court Meeting.

The Offeror and each of the Offeror Concert Parties will undertake to the Grand Court to be bound by the terms of the Scheme and to execute and do and procure to be executed and done all such documents and things as may be necessary or desirable to be executed or done by each of them for the purposes of giving effect to the Scheme.

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## **PART I LETTER FROM THE BOARD**

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As soon as practicable after the conclusion or adjournment of the Court Meeting, the General Meeting will be held for the purpose of considering and, if thought fit, approving all necessary resolution(s) for the implementation of the Scheme. All Shareholders whose name appear in the register of members of the Company as at the Meeting Record Date will be entitled to attend and vote on the special resolution to be proposed at the General Meeting to approve and give effect to, among other things, (a) any reduction of the issued share capital of the Company associated with the cancellation and extinguishment of the Scheme Shares and (b) the simultaneous maintenance of the issued share capital of the Company at the amount immediately prior to the cancellation and extinguishment of the Scheme Shares by allotting and issuing to the Offeror the same number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished and applying the credit created as a result of the cancellation and extinguishment of the Scheme Shares to pay up in full such new Shares to be allotted and issued to the Offeror.

The Offeror and the Offeror Concert Parties have indicated that they will vote in favour of such special resolution to be proposed at the General Meeting.

For the purpose of exercising your right to vote at the Court Meeting and the General Meeting, you are requested to read carefully the section headed “Court Meeting and General Meeting” in the Explanatory Memorandum set out in Part IV of this Scheme Document, the section headed “Actions to be taken” set out in pages 9-12 of this Scheme Document, and the notices of the Court Meeting and the General Meeting in Appendix IV and Appendix V respectively to this Scheme Document.

### **ACTIONS TO BE TAKEN**

Your attention is drawn to the section headed “Actions to be taken” set out in pages 9-12 of this Scheme Document.

### **RECOMMENDATIONS**

The Independent Financial Adviser has advised the Independent Board Committee that it considers the terms of the Proposal and the Scheme are fair and reasonable so far as the Disinterested Scheme Shareholders are concerned, and accordingly, advises the Independent Board Committee to recommend the Disinterested Scheme Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the General Meeting to approve and implement the Proposal.

The Independent Board Committee, having considered the terms of the Proposal and the Scheme, and having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Proposal and the Scheme are fair and reasonable so far as the Disinterested Scheme Shareholders are concerned and recommends the Disinterested Scheme Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the General Meeting to approve and implement the Proposal.

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## PART I LETTER FROM THE BOARD

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Your attention is drawn to (i) the letter from the Independent Board Committee set out in Part II of this Scheme Document; and (ii) the letter from the Independent Financial Adviser set out in Part III of this Scheme Document which sets out the factors and reasons taken into account by the Independent Financial Adviser in arriving at its advice to the Independent Board Committee.

### FURTHER INFORMATION

You are urged to read carefully (i) the letter from the Independent Board Committee set out in Part II of this Scheme Document; (ii) the letter from Altus Capital, the Independent Financial Adviser to the Independent Board Committee, set out in Part III of this Scheme Document; (iii) the Explanatory Memorandum set out in Part IV of this Scheme Document; (iv) the Appendices to this Scheme Document, including the terms of the Scheme set out in Appendix III to this Scheme Document; (v) the notice of the Court Meeting set out in Appendix IV to this Scheme Document; and (vi) the notice of the General Meeting set out in Appendix V to this Scheme Document.

In addition, a **PINK** form of proxy for the Court Meeting and a **WHITE** form of proxy for the General Meeting are enclosed with this Scheme Document.

**Shareholders and potential investors of the Company should be aware that the Proposal is subject to the Conditions being fulfilled or waived, as applicable, and therefore the Proposal may or may not be implemented. Shareholders and potential investors of the Company should therefore exercise caution when dealing in securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.**

By order of the Board  
**LANSEN PHARMACEUTICAL HOLDINGS LIMITED**  
**Wu Zhen Tao**  
*Chairman*



**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)**

28 October 2023

*To the Disinterested Scheme Shareholders*

Dear Sir or Madam,

**(1) PROPOSED PRIVATISATION OF  
LANSEN PHARMACEUTICAL HOLDINGS LIMITED  
BY THE OFFEROR  
BY WAY OF A SCHEME OF ARRANGEMENT  
UNDER SECTION 86 OF THE COMPANIES ACT;  
AND  
(2) PROPOSED WITHDRAWAL OF LISTING OF  
LANSEN PHARMACEUTICAL HOLDINGS LIMITED**

We refer to the scheme document dated 28 October 2023 jointly issued by the Offeror and the Company in relation to the Proposal (the “**Scheme Document**”), of which this letter forms part. Terms defined in the Scheme Document shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to make a recommendation to the Disinterested Scheme Shareholders in respect of the Proposal and the Scheme, details of which are set out in the “*Letter from the Board*” and the “*Explanatory Memorandum*” of the Scheme Document.

Altus Capital, the Independent Financial Adviser, has been appointed with our approval, to advise us in connection with the Proposal and the Scheme. The details of its advice and the principal factors taken into consideration in arriving at its recommendations are set out in the “*Letter from the Independent Financial Adviser*” of the Scheme Document.

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## PART II LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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In the “*Letter from the Independent Financial Adviser*” of the Scheme Document, the Independent Financial Adviser states that it considers the terms of the Proposal and the Scheme to be fair and reasonable as far as the Disinterested Scheme Shareholders are concerned, and advises the Independent Board Committee to recommend the Disinterested Scheme Shareholders to vote for the relevant resolution(s) to be proposed at the Court Meeting and the General Meeting to approve and implement the Scheme.

The Independent Board Committee, having considered the terms of the Proposal and the Scheme, and having taken into account the advice of the Independent Financial Adviser, in particular, the factors, reasons and recommendations set out in its letter, considers that the terms of the Proposal and the Scheme to be fair and reasonable as far as the Disinterested Scheme Shareholders are concerned.

Accordingly, the Independent Board Committee recommends that the Disinterested Scheme Shareholders:

- (1) to vote in favour of the relevant resolution to approve the Scheme at the Court Meeting; and
- (2) at the General Meeting, to vote in favour of the special resolution to approve and give effect to, among other things, (a) any reduction of the issued share capital of the Company associated with the cancellation and extinguishment of the Scheme Shares and (b) the simultaneous maintenance of the issued share capital of the Company at the amount immediately prior to the cancellation and extinguishment of the Scheme Shares by allotting and issuing to the Offeror the same number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished and applying the credit created as a result of the cancellation and extinguishment of the Scheme Shares to pay up in full such new Shares to be allotted and issued to the Offeror.

Yours faithfully,

**Independent Board Committee of the Board**

Ms. Liu Xuezi

*Non-executive Director*

Mr. Chan Kee Huen, Michael  
*Independent non-executive Director*

Ms. Chan Ching Har, Eliza  
*Independent non-executive Director*

Mr. Yeung Tak Bun, Allen  
*Independent non-executive Director*

Dr. Zhu Xun  
*Independent non-executive Director*

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## PART III LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter of advice from Altus Capital Limited, the Independent Financial Adviser to the Independent Board Committee in respect of the Proposal and the Scheme for the purpose of inclusion in the Scheme Document.*

# ALTUS.

Altus Capital Limited  
21 Wing Wo Street  
Central, Hong Kong

28 October 2023

*To the Independent Board Committee*

**Lansen Pharmaceutical Holdings Limited**

Suites 1203-4  
12/F, Li Po Chun Chambers  
189 Des Voeux Road Central  
Hong Kong

Dear Sir or Madam,

**(1) PROPOSED PRIVATISATION OF  
LANSEN PHARMACEUTICAL HOLDINGS LIMITED  
BY THE OFFEROR  
BY WAY OF A SCHEME OF ARRANGEMENT  
UNDER SECTION 86 OF THE COMPANIES ACT  
AND  
(2) PROPOSED WITHDRAWAL OF LISTING OF  
LANSEN PHARMACEUTICAL HOLDINGS LIMITED**

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Proposal and the Scheme. Details of the Proposal and the Scheme are set out in the “Letter from the Board” as contained in the Scheme Document dated 28 October 2023, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Scheme Document unless the context requires otherwise.



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## **PART III LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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The Offeror and the Company jointly announced that, on 8 September 2023 the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders which will involve the proposed privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Act involving the cancellation of all the Scheme Shares and the simultaneous allotment and issuance of an equivalent number of new Shares to the Offeror, subject to conditions. Upon the Scheme becoming effective, all Scheme Shares will be cancelled and extinguished (with the equivalent number of new Shares being issued as fully paid to the Offeror) and the share certificates for the Scheme Shares cancelled and extinguished will thereafter cease to have effect as documents or evidence of title. The Company will make an application for the listing of the Shares to be withdrawn from the Stock Exchange pursuant to Rule 6.15(2) of the Listing Rules, with effect immediately following the Effective Date.

The Proposal (including the Scheme) will become effective and binding on the Company and all the Shareholders if the Conditions are fulfilled or waived (as applicable) on or before the Long Stop Date, and details of the Conditions are set out in the paragraph headed “Conditions of the Proposal” in the Explanatory Memorandum as contained in the Scheme Document.

### **THE INDEPENDENT BOARD COMMITTEE**

In accordance with Rules 2.1 and 2.8 of the Takeovers Code, a board which receives an offer must, in the interests of shareholders, establish an independent committee of the board to make a recommendation as to whether the offer is, or is not, fair and reasonable and as to acceptance or voting, and the members of the independent board committee should comprise all non-executive directors who have no direct or indirect interest in the offer.

The Board currently has two non-executive Directors and four independent non-executive Directors. Mr. Wu Zhen Tao, who is a non-executive Director and the ultimate beneficial owner of the Offeror, is not considered to be independent for the purpose of making a recommendation to the Disinterested Scheme Shareholders, and is therefore not included as members of the Independent Board Committee. Dr. Zhu Xun, who is an independent non-executive Director and holder of 140,836 Shares (representing approximately 0.1% of the Scheme Shares) as at the Latest Practicable Date, is also a Scheme Shareholder under the Scheme and is considered to be independent for the purpose of making a recommendation to the Disinterested Scheme Shareholders.

As such, the Independent Board Committee, comprising Ms. Liu Xuezi, a non-executive Director, and all four independent non-executive Directors, namely, Mr. Chan Kee Huen, Michael, Mr. Yeung Tak Bun, Allen, Ms. Chan Ching Har, Eliza and Dr. Zhu Xun has been established to advise the Disinterested Scheme Shareholders as to (i) whether the terms of the Proposal and the Scheme are fair and reasonable; and (ii) whether to vote in favour of the the Proposal and the Scheme at the Court Meeting and the implementation of the Proposal at the General Meeting.

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## **PART III LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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### **THE INDEPENDENT FINANCIAL ADVISER**

As the Independent Financial Adviser with respect to the Proposal and the Scheme, our role is to advise the Independent Board Committee as to (i) whether the terms of the Proposal and the Scheme are fair and reasonable; and (ii) whether the Disinterested Scheme Shareholders should vote in favour of the Proposal and the Scheme at the Court Meeting and the implementation of the Proposal at the General Meeting.

We (i) are not associated or connected, financial or otherwise, with the Company or the Offeror, their respective controlling shareholders or any parties acting, or presumed to be acting, in concert with any of them; and (ii) have not acted as the financial adviser or independent financial adviser in relation to any transaction of the Company or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them in the last two years prior to the date of the Scheme Document.

Pursuant to Rule 13.84 of the Listing Rules and Rule 2 of the Takeovers Code, and given that (i) remuneration for our engagement to opine on the Proposal and the Scheme is at market level and not conditional upon the outcome of the Proposal and the Scheme; (ii) no arrangement exists whereby we shall receive any fees or benefits from the Company (other than our said remuneration) or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them; and (iii) our engagement is on normal commercial terms and approved by the Independent Board Committee, we are independent of the Company or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them and can act as the Independent Financial Adviser to the Independent Board Committee in respect of the Proposal and the Scheme.

### **BASIS OF OUR ADVICE**

In formulating our opinion, we have reviewed, amongst others (i) the Scheme Document; (ii) the annual reports of the Company for the years ended 31 December 2021 and 2022 (the “**2021 Annual Report**” and the “**2022 Annual Report**”); (iii) the interim report of the Company for the six months ended 30 June 2023 (the “**2023 Interim Report**”); and (iv) other information as set out in the Scheme Document.

We have relied on the statements, information, opinions and representations contained or referred to in the Scheme Document and/or provided to us by the Company, the Directors and the management of the Company (collectively the “**Management**”). We have assumed that all statements, information, opinions and representations contained or referred to in the Scheme Document and/or provided to us were true, accurate and complete in all material aspects at the time they were made and continued to be so as at the Latest Practicable Date. The Company will notify the Shareholders of any material changes to information contained or referred to in the Scheme Document as soon as practicable in accordance with Rule 9.1 of the Takeovers Code. The Shareholders will also be informed as soon as practicable when there are any material changes to the information contained or referred to herein as well as changes to our opinion, if any, after the Latest Practicable Date.

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## PART III LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Scheme Document, and information relating to the Company provided to us by the Company and the Management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and consider that we have been provided with and have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

We have not considered the taxation implications on Shareholders arising from acceptance or non-acceptance of the Proposal and the Scheme, if any, and therefore we will not accept responsibility for any tax effect or liability that may potentially be incurred by the Shareholders as a result of the Proposal and the Scheme. In particular, Shareholders who are subject to Hong Kong or overseas taxation on dealings in securities are urged to seek their own professional advisers on tax matters.

In arriving at our recommendation set out in the section headed “**Recommendation**” below, we have considered and analysed, among other things,

- background and financials of the Group, including its dividend history and short-term outlook – see section headed “**1. Background and financial information of the Group**”;
- rationale of the Proposal from the perspectives of the Offeror, the Company and the Scheme Shareholders – see section headed “**3. Rationale of the Proposal from perspectives of Offeror, Company and Scheme Shareholders**”;
- comparison of the Scheme Consideration to the closing price as quoted on the Stock Exchange on the Last Trading Date; and to the average closing price as quoted on the Stock Exchange for a number of periods up to and including the Latest Practicable Date – see section headed “**4. The Scheme Consideration**”;
- historical price performance of the Shares and a comparison to the Group’s net asset value and net tangible asset value – see sections “**4.1 Historical price performance of the Shares**” and “**4.3 Premium/discount to net asset value and net tangible asset value**”;
- trading liquidity of the Shares – see section “**4.2 Trading liquidity of the Shares**”;

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## PART III LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- comparables analysis, including, at the Scheme Consideration, the implied P/E Ratio of the Company and the implied P/B Ratio of the Company – see section “4.4 Comparable analysis”; and
- the privatisation precedent transactions during the one-year period commencing from 8 September 2022 and up to and including the Last Trading Date and with successful outcome as at the Latest Practicable Date – see section “5. Privatisation precedents”.

Our consideration and analysis are detailed below.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our advice for the Proposal and the Scheme, we have considered the following principal factors and reasons:

#### 1. Background and financial information of the Group

##### 1.1 Background of the Group

The Company is an exempted limited liability company incorporated in the Cayman Islands and has been listed on the Main Board of the Stock Exchange since 7 May 2010. The Group’s principal activities are classified into three segments, namely pharmaceutical, health care and cosmetic. Its products are mainly sold in the PRC. Among the aforesaid three segments, pharmaceutical segment contributes over 90% of the Group’s revenue. Such segment is engaged in the production and sale of specialty pharmaceutical products mainly used in the field of rheumatology and dermatology and other pharmaceuticals.

##### 1.2 Historical financial performance of the Group

Set out below is a summary of the audited consolidated financial information of the Group for the financial years ended 31 December 2020 (“FY2020”), 2021 (“FY2021”) and 2022 (“FY2022”) respectively, which has been extracted from the 2021 Annual Report and the 2022 Annual Report; and (ii) the unaudited consolidated financial information of the Group for the six months ended 30 June 2022 (“1H FY2022”) and 2023 (“1H FY2023”) respectively, which has been extracted from the 2023 Interim Results Announcement.

	FY2020	FY2021	FY2022	1H FY2022	1H FY2023
	US\$’000	US\$’000	US\$’000	US\$’000	US\$’000
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue	54,386	54,180	65,558	31,991	31,386
Gross profit	35,179	34,409	44,295	21,936	20,540
Profit from operations	8,776	5,558	14,158	9,167	7,536
Profit for the year/period	88,205	903	8,597	6,796	5,612
Gross profit margin	64.7%	63.5%	67.6%	68.6%	65.4%

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**PART III LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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	As at 31 December			As at
	2020	2021	2022	30 June
	US\$'000 (Audited)	US\$'000 (Audited)	US\$'000 (Audited)	US\$'000 (Unaudited)
Total assets	252,778	172,312	183,958	174,975
Non-current assets	62,790	57,689	51,515	49,302
– intangible assets (Note 1)	21,630	22,850	21,213	21,077
– goodwill (Note 2)	6,824	6,824	6,824	6,824
Current assets	189,988	114,623	132,443	125,673
– Cash and cash equivalent	83,409	32,545	51,326	46,385
 Total liabilities	 55,496	 55,711	 62,008	 51,335
 Net assets	 197,282	 116,601	 121,950	 123,640
 Net tangible assets (Note 3)	 168,828	 86,972	 93,913	 95,739

*Notes:*

1. The intangible assets of the Group mainly relate to (i) the intellectual property rights generated internally for the pharmaceutical technology and (ii) a perpetual royalty-free licence acquired from Novartis AG and Novartis Pharma AG with no termination and techniques and formulae for the development and production of skin care products.
2. The goodwill of the Group mainly arose from the acquisition of Ningbo Lansan Pharmaceutical Company Limited (寧波朗生醫藥有限公司) and Ningbo Liwah Pharmaceutical Company Limited (寧波立華製藥有限公司).
3. The net tangible assets of the Group as at the respective date is calculated by deducting intangible assets and goodwill from the net assets of the Group.

*FY2021 vs FY2020*

The Group recorded a slight decrease in revenue by 0.4% to approximately US\$54.2 million in FY2021 from approximately US\$54.4 million in FY2020. About 95% of the Group's revenue was contributed by the pharmaceuticals segment. Such decrease was mainly attributable to the decrease in sales volume of the Group's core products, Pafulin and Sicorten Plus, as compared with the previous year.

For FY2021, the Group recorded a gross profit of approximately US\$34.4 million (FY2020: approximately US\$35.2 million), representing a decrease of 2.2% over the previous year. The overall gross profit margin for FY2021 was 63.5% (FY2020: 64.7%), representing a marginal decrease.

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## PART III LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Group recorded a decrease in profit from operations by approximately 36.7% to approximately US\$5.6 million for FY2021 from approximately US\$8.8 million for FY2020 mainly due to the decrease in gross profit margin and increase in selling and distribution expenses.

Net profit for FY2021 amounted to approximately US\$0.9 million, representing a significant decrease from approximately US\$88.2 million for FY2020, mainly due to (i) the decrease in profit from operations; and (ii) the loss of approximately US\$1.1 million in relation to the shares of Zhejiang Starry Pharmaceutical Co., Ltd. (“Starry”) held by the Group recorded in FY2021 as compared to the gain of approximately US\$84.7 million in relation to the shares of Starry held by the Group in FY2020.

In relation to Starry mentioned above, please note that Starry is a company incorporated in the PRC and its shares are listed on the Shanghai Stock Exchange. Starry was an associate of the Company before the reclassification in FY2020. As disclosed in the 2020 annual report of the Company, as the Group’s shareholding in Starry was less than 5%, the director appointed to Starry by the Group retired from the board of directors of Starry in 2020. The Group since then had no right to exercise significant influence over Starry under the applicable accounting standards, and therefore, Starry ceased to be an associate and the equity interest in Starry was reclassified as financial assets at fair value through profit or loss (“FVTPL”) since 2020.

The abovementioned gain (in aggregate of US\$84.7 million) arising from the shares held by the Group in Starry recorded in FY2020 mainly comprised the following: (i) a gain of approximately US\$25.3 million from the disposal of the Group’s equity interest in Starry; (ii) a one-off net gain arising from reclassification of the equity interest in Starry to FVTPL of approximately US\$45.6 million; and (iii) a gain on change in fair value of financial assets relating to Starry of approximately US\$13.8 million.

Net assets of the Group as at 31 December 2021 decreased to approximately US\$116.6 million as compared to approximately US\$197.3 million as at 31 December 2020 due mainly to the payment of special dividend amounting to approximately US\$76.9 million. This was in line with the decrease in the Group’s cash and cash equivalents to approximately US\$32.5 million as at 31 December 2021 as compared with approximately US\$83.4 million as at 31 December 2020. Net tangible assets of the Group (which is calculated by deducting the intangible assets and goodwill of the Group) as at 31 December 2021 decreased to approximately US\$87.0 million as compared to approximately US\$168.8 million as at 31 December 2020 for the same reason.

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## PART III LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *FY2022 vs FY2021*

The Group recorded an increase in revenue of 21.0% from approximately US\$54.2 million in FY2021 to approximately US\$65.6 million in FY2022. Over 95% of the Group's revenue was contributed by the pharmaceuticals segment. Such increase was mainly attributable to the increase in sales volume of the Group's core products, Pafulin and Sicorten Plus, as compared with the previous year.

For FY2022, the Group recorded a gross profit of approximately US\$44.3 million (FY2021: approximately US\$34.4 million), representing an increase of 28.7% over last year on the back of higher revenue and improvement of gross profit margin. For FY2022, the overall gross profit margin was 67.6% (FY2021: 63.5%).

The Group recorded an increase in profit from operations by approximately 154.7% to approximately US\$14.2 million for FY2022 from approximately US\$5.6 million for FY2021 mainly due to the increase in revenue and gross profit margin as mentioned above.

Net profit for FY2022 amounted to approximately US\$8.6 million, representing an increase by approximately US\$7.7 million from approximately US\$0.9 million for FY2021. This was mainly due to reasons as discussed above.

Net assets of the Group as at 31 December 2022 increased to approximately US\$122.0 million as compared to approximately US\$116.6 million as at 31 December 2021 due mainly to the increased profitability mentioned above. Net tangible assets of the Group (which is calculated by deducting the intangible assets and goodwill of the Group) as at 31 December 2022 increased to approximately US\$93.9 million as compared to approximately US\$87.0 million as at 31 December 2021. As at 31 December 2022, the Group had cash and cash equivalents of approximately US\$51.3 million as compared with approximately US\$32.5 million in 2021.

In relation to the cash position as at 31 December 2022 mentioned above, please note that the Company had completed a placing of new shares under general mandate during the year ended 31 December 2022. On 7 April 2022, the Company and the placees entered into subscription agreements, pursuant to which the placees conditionally agreed to subscribe and the Company conditionally agreed to allot and issue a total of 49,520,000 shares at a placing price of HK\$1.20 per placing share. The placing of 49,520,000 shares was completed on 20 April 2022. The net proceeds after deducting the related expenses amounted to approximately HK\$59,154,000 (equivalent to approximately US\$7,618,000) ("**Net Proceeds**").

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## PART III LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As disclosed in the announcement of the Company dated 7 April 2022 and the 2022 Annual Report and the 2023 Interim Report, the intended use of the Net Proceeds was for (i) potential future acquisitions or projects and (ii) replenishment of working capital and general corporate purposes to support the Company's strategy and there was no specific timeline for the use of the Net Proceeds as this was subject to the availability of suitable investment opportunities, the pace of the Company's business development, and the economic and market conditions of the pharmaceutical industry in China.

As disclosed in the 2022 Annual Report, approximately US\$5.6 million of the net proceeds was utilised as working capital during the year ended 31 December 2022. The amount of unutilised net proceeds brought forward to the six months ended 30 June 2023 from the year ended 31 December 2022 was approximately US\$2,011,000. As disclosed in the announcement of the Company dated 31 July 2023, since no suitable investment opportunity has been identified, the remaining Net Proceeds were fully utilised as working capital to support the Company's strategy. Of the total Net Proceeds amounting to approximately US\$7,618,000, approximately US\$6,108,000 was utilised as payments for procurement of one of the Group's key products from a supplier, related freight costs and other related expenses, approximately US\$1,250,000 was utilised as administrative expenses, and approximately US\$260,000 was allocated for professional fees and other fees.

### *1H FY2023 vs 1H FY2022*

The Group recorded a marginal decrease in revenue by 1.9% from approximately US\$32.0 million in 1H FY2022 to approximately US\$31.4 million in 1H FY2023. Over 95% of the Group's revenue was contributed by the pharmaceuticals segment and such decrease was attributable to depreciation of RMB against US\$. Excluding such impact, revenue increased by 5.1% compared to the same period last year.

For 1H FY2023, the Group recorded a gross profit of approximately US\$20.5 million (1H FY2022: approximately US\$21.9 million), representing a decrease of 6.4% over the same period last year. For 1H FY2023, the Group recorded a lower overall gross profit margin of 65.4% (1H FY2022: 68.6%) due mainly to the increase in raw material costs.

The Group recorded a decrease in profit from operations by approximately 17.8% to approximately US\$7.5 million for 1H FY2023 from approximately US\$9.2 million for 1H FY2022 mainly due to the lower gross profit and higher selling and distribution expenses.

Net profit for 1H FY2023 amounted to approximately US\$5.6 million, representing a decrease by approximately US\$1.2 million from approximately US\$6.8 million for 1H FY2022, in line with the combination of reasons as discussed above.



## PART III LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Net assets of the Group as at 30 June 2023 increased to approximately US\$123.6 million as compared to approximately US\$122.0 million as at 31 December 2022 due mainly to profits generated between the periods. Net tangible assets of the Group (which is calculated by deducting the intangible assets and goodwill of the Group) as at 30 June 2023 increased to approximately US\$95.7 million as compared to approximately US\$93.9 million as at 31 December 2022. As at 30 June 2023, the Group had cash and cash equivalents of approximately US\$46.4 million as compared with approximately US\$51.3 million as at 31 December 2022.

### 1.3 Dividends

We noted that the Company has adopted a dividend policy whereby the Board will take into account an array of factors for determining the dividend payout. The table below sets out the dividends declared and paid by the Company to the Shareholders since its listing on the Stock Exchange on 7 May 2010:

	Financial year ended/ending 31 December	Interim dividend per Share	Final dividend per Share	Special dividend per Share
0	2010	Not applicable as only eligible for those shareholders before listing on the Stock Exchange	US1.41 cents	Not applicable (“NA”)
1	2011	US1.03 cents	US1.07 cents	NA
2	2012	US1.05 cents	US1.32 cents	NA
3	2013	US1.08 cents	US0.90 cents	NA
4	2014	US1.23 cents	US1.13 cents	NA
5	2015	US0.44 cents	US0.77 cents	NA
6	2016	US0.52 cents	US0.47 cents	NA
7	2017	US0.53 cents	US0.46 cents	US1.91 cents
8	2018	US0.37 cents	US0.46 cents	NA
9	2019	Nil	Nil	NA
10	2020	Nil	Nil	NA
11	2021	Nil	Nil	US20.00 cents
12	2022	US0.64 cents ( <i>Note 1</i> )	Nil	NA
13	2023	Nil	( <i>Note 2</i> )	( <i>Note 2</i> )

*Notes:*

- The interim dividend would be satisfied wholly in the form of an allotment of Shares to be credited as fully paid up (“**Interim Dividend Shares**”) without offering any right to the eligible Shareholders to elect to receive such dividend in cash in lieu of such allotment (“**Share Dividend Scheme**”). All conditions of the Share Dividend Scheme were fulfilled during the six months ended 30 June 2023 and a number of 14,506,434 Shares were allotted and issued as Interim Dividend Shares to the eligible Shareholders on 28 April 2023.
- The Company has confirmed that it does not intend to announce, declare or pay any dividend, distribution or other return of capital during the offer period in relation to the Proposal.

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## PART III LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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On 24 March 2023, the Directors had resolved to declare an interim dividend of HK5.0 cents (equivalent to approximately US0.64 cents) per Share for the year ended 31 December 2022. No interim dividends had been declared for the six months ended 30 June 2023.

Save for the unusual period during the pandemic, the Company has maintained stable dividend pay-out. Notwithstanding this, there is no assurance that the Company will pay dividend in the future whether the Scheme is approved or not. In particular, we noted that the Group had, in 2021, paid to Shareholders a special dividend, returning the capital received pursuant the realisation of Starry, a then major investment of the Group.

### **1.4 Outlook**

As described in the 2023 Interim Report, under a policy of deepening the reform of medical and healthcare systems 《深化醫藥衛生體制改革》 China continues the key tasks of strengthening the reform of the medical and healthcare system, promoting the construction of national regional medical centre facilities, continuing to upgrade the level of medical care at the prefecture and county levels, strengthening the capacity building of community and rural medical and healthcare services, and improving the institutional mechanism to promote tiered diagnosis and treatment.

The Company expects, in the second half of 2023, the pharmaceutical industry continues to face both challenges and opportunities in the post-pandemic era under the above policies. The Group's focus remains on pharmaceutical development while optimising its healthcare operations. It will align with the national policy on tiered diagnosis and treatment, broaden its market presence, and invest more resources in research and development to enhance its innovation and competitiveness.

The Group is dedicated to building a socially responsible brand, fostering consumer trust, and becoming a preferred healthcare brand in the respective therapeutic areas. In addition, the Group's product portfolio will adapt to market demand, bolstered by strengthened research and development, streamlined production, and strategic collaborations, including mergers and acquisitions. To enhance efficiency, the Group will optimise its supply chain management and control expenses.

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## **PART III LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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Overall based on our discussion with the Management, underpinned by a stable development of existing operations, they aim to develop the Group's businesses in line with national policies and evolution of markets as described above. These involve addressing the challenges of adapting to the necessary changes including upgrading of its production facilities and management systems and levels, as well as capitalising on opportunities and demand in the pharmaceutical industry by investing in research and development of new products and increasing marketing expenses.

Our independent research has yielded macro-level statistics such as number of rheumatic patients and market size of medical treatments of rheumatic diseases. These statistics were not directly reflective of the impact of the aforesaid policies and current market issues which the Group is currently navigating. Having reviewed the relevant policies, we have hence sought the Management's elaboration on these challenges and opportunities to augment the descriptions presented in the 2023 Interim Report.

Based on our discussions, we noted the Group's key products are aimed at relieving chronic diseases and traditionally, its sales network mainly focuses on larger hospitals. The Group's sales network within smaller prefecture/county level grass-roots hospitals is relatively less established. Faced with the acceleration of the national policy on tiered diagnosis and treatment, smaller prefecture/county level hospitals now become the main users of the Group's key products. This necessitates a revamp of the Group's sales and marketing strategy and significant efforts on expanding its market channels and product coverage towards this network. The Group also has to implement appropriate measures of controlling its sales and marketing expenses while achieving effective marketing impact. To this end, the Group's strategy is also to step up its research and development and working closely with academic and research institutions. While its immediate effects on sales are uncertain, it will enhance the awareness of the Group's brand and products within the industry over the longer term. The above policies and changes similarly affect the Group's competitors and if the Group is able to implement the strategy effectively going forward, such industry consolidation may bode well for the Group's longer term development.

As described above, these efforts will require long term planning and deployment of significant resources on the part of the Group, while the results may take time to manifest.

**2. Background information of the Offeror**

***2.1 The Offeror and its controlling shareholder***

The Offeror is a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by First Lucky Star Trust, the settlor of which is Mr. Wu Zhen Tao, and the beneficiaries include Mr. Wu Zhen Tao and his family members. The Offeror is an investment holding company. The directors of the Offeror are Mr. Siu Ka Chi Eric and Mr. Patrick Sung.

Mr. Wu Zhen Tao is a non-executive Director and chairman of the Company. He is also executive Chairman of Cathay International Holdings Limited, a controlling shareholder of the Company (interested in approximately 51.81% of the issued Shares), and founder of the Cathay Group, which has over 20 years' history of business and investment focused on the PRC. He was born and educated in Beijing. He graduated from the Beijing University of Technology in 1982. He also has a degree in Business Administration. Mr. Wu Zhen Tao acted as a senior executive in government scientific institutes in the PRC from 1982 to 1985 and as managing director of two newly established state-owned financial institutions in the PRC from 1986 to 1989. Since 1988 Mr. Wu Zhen Tao has, through companies, invested in and developed the Landmark Hotel (now called Crowne Plaza Hotel & Suites Landmark Shenzhen) in Shenzhen and established the Cathay International Water Limited group of companies, which made substantial investments in public utilities and infrastructure in the PRC. Strategic shareholders were JP Morgan, Singapore Technologies, UBS, Banco Santander and Nomura JAFCO, and this business was once the largest foreign investor in water and waste water treatment projects in the PRC with net assets of over US\$1 billion.

### ***2.2 The Offeror's intention in relation to the Company***

Following the implementation of the Proposal, the Offeror intends to continue the existing business of the Group, which principally comprises of pharmaceutical businesses. The Offeror does not have any plan to make any material change to the existing principal businesses of the Group, including any major redeployment of the fixed assets of the Group or the continued employment of the employees of the Group (other than in the ordinary course of business). The Offeror does not have any plan to list the Shares in any stock exchange following withdrawal of the listing of the Shares on the Stock Exchange.

We noted the Proposal is made by the existing controlling Shareholder who stated that he will continue to operate the Group's businesses as it is. We noted there is no indication from the controlling Shareholder of any intended significant activities which may fundamentally improve the Group's ongoing operations and outlook, nor which may positively impact the Group's valuation as a business.

## **3. Rationale of the Proposal from perspectives of Offeror, Company and Scheme Shareholders**

### ***3.1 From the perspective of the Offeror and the Company***

As disclosed in the Explanatory Memorandum as contained the Scheme Document, during the Review Period, the Shares have been trading at (i) a discount from approximately 23.94% to 55.67% to the Unaudited NAV per Share (calculated by the lowest and the highest closing price of the Shares over the Unaudited NAV per Share of approximately HK\$2.31); and (ii) a discount from approximately 1.84% to 42.79% to the Unaudited NTA per Share as at 30 June 2023 (calculated by the lowest and the highest closing price of the Shares over the Unaudited NTA per Share of approximately HK\$1.79).

Considering the relative underperformance in the trading of the Shares, as well as the low liquidity as mentioned below and a high compliance cost for maintaining listing status (including regulatory compliance, disclosure and publication of financial statements), the Company's current listing platform lost its primary function of supporting the Group as a source of funding sufficiently for its long-term growth, and the cost and expenses outweigh the benefit from maintaining the listing status of the Company.

Following the implementation of the Proposal, the Company is expected to substantially reduce the administrative costs and management resources to be committed in maintaining its listing status and compliance with regulatory requirements.

*3.2 From the perspective of the Scheme Shareholders*

The Proposal is intended to give Scheme Shareholders an opportunity to realise their Scheme Shares for the Scheme Consideration at a premium over the current market price. The Scheme Consideration represents (i) approximately 75.78 % premium over the lowest closing price of HK\$1.024 per Share in Review Period and; (ii) approximately 2.45% premium to the highest closing price of HK\$1.757 per Share in the Review Period. During the Relevant Period, the Company had conducted share repurchases on the market (“**Share Repurchase(s)**”) in particular during two periods of time, with each period lasting intermittently for 43 and 23 trading days respectively. It is noted that the percentage increase in the Share prices were from 30.2% to 37.1% compared to the closing prices of the Shares prior to each Share Repurchase period and closing price on the last trading day of each Share Repurchase period. The lowest closing price during the Review Period as set out above was the closing price on the 5th trading day prior to the first Share Repurchase whereas the highest closing price during the Review Period as set out above was the closing price on the 5th trading day after the first Share Repurchase, therefore have reflected the upward price movement effects stimulated by the Share Repurchase.

In addition, the average daily trading volume of Shares during the Review Period was approximately 154,000 Shares per day, representing only approximately 0.04% of the issued Shares as at the Last Trading Date. Such average daily trading volume has included the improved daily trading volume of the Shares during the period when the Company conducted Share Repurchases. During the Review Period, on the trading days which the Company conducted Share Repurchases, the average trading volume was approximately 329,000 Shares per day, representing approximately 0.08% of the issued Shares as at the Last Trading Date, whereas for other trading days when the Company did not conduct Share Repurchases, the average trading volume was approximately 90,000 Shares per day, representing only approximately 0.02% of the issued Shares as at the Last Trading Date. The low trading liquidity of the Shares could make it difficult for Shareholders to execute substantial on-market disposals without adversely affecting the price of the Shares.

Scheme Shareholders who prefer to switch investment of their holding in the Shares into other investments with different risk reward profile or liquidity profile might not be able to do so in the absence of the Proposal because of the thin trading volume of the Shares. For some Scheme Shareholders, given the current state of the economy and the uncertainty on the timing of a recovery, they may find the Proposal particularly timely and attractive.

### *3.3 Section summary*

From the perspective of Share price relative to the Group's asset backing, we concur with the Offeror and the Company that market price of Shares in the past had not adequately reflected the Group's value given the persistent discount with the Share price traded at relative discounts to the Group's net asset value and net tangible asset value. From the perspective of using the Company's listing status for fund raising, we noted that save for the placing of new shares conducted in April 2022, the Company had not conducted significant fund raising exercises since its listing in May 2010 while on the other hand the Company has been continuously conducting Shares Repurchases on market. These are consistent with the views expressed by the Offeror and the Company above regarding the diminishing reasons for the Company to maintain a listed platform.

We noted, based on the above observations, that the continuous Share Repurchases have not been effective in increasing trading interests in the Shares nor signaling to the market the appropriate value of the Shares as assessed by the Company and the Directors. Share prices tended to decrease after the initial increases stimulated by the Share Repurchases and similarly, the higher trading volume during periods of Share Repurchases did not sustain (please refer to the discussion in the sections headed "4.1 Historical price performance of the Shares" and "4.2 Trading liquidity of the Shares" below). An efficient and effective market for Disinterested Scheme Shareholders (those who would like to realise in full or in part their shareholding in the Company) to sell their Shares in the market has therefore not been available.

In this respect, we concur that the Proposal represents an opportunity for Disinterested Scheme Shareholders to realise their investments in the Company with the certainty of selling price.

In summary, the Disinterested Scheme Shareholders are receiving an opportunity to monetise their Shares at a premium over the prevailing market prices (as detailed in the section headed "4.1 Historical price performance of the Shares") where the liquidity of the Shares has been generally low (as detailed in the section headed "4.2. Trading liquidity of the Shares"), which has rendered it difficult for them to sell relatively large number of Shares in the market. Prices of Shares had also been fluctuating during the IFA Review Period (as detailed in the section headed "4.1 Historical price performance of the Shares").

Given the Proposal involves Disinterested Scheme Shareholders either not selling or selling their entire shareholding as further elaborated below, it is pertinent to balance between (i) retaining their stakes in the Group where its financial performance (based on its latest financial information), while stable, remains challenging as elaborated under the paragraph headed "1.4 Outlook" above; and (ii) receiving immediate cash proceeds from a reasonable Scheme Consideration (as further analysed in the following section), the amount of which can then be deployed towards other investments.

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## **PART III LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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It should be noted that unlike a general offer to acquire all or part of a listed company's shares, the Proposal regarding the proposed privatisation by the Offeror is conducted by way of the Scheme. Disinterested Scheme Shareholders will not have the opportunity to partially tender to the Offeror their shareholding in the Company. Rather, the Proposal and the Scheme will be effective and binding on the Company and all its Shareholders if all the Conditions have been fulfilled or waived (as applicable). Even if the Disinterested Scheme Shareholders have voted against the resolution(s) to approve the Scheme, in the event that the relevant resolutions have been duly passed at the Court Meeting and the General Meeting and all the Conditions have been fulfilled or waived (as applicable), all the Scheme Shares will still be cancelled. As such, Disinterested Scheme Shareholders will either have to accept the Proposal at the Scheme Consideration for their entire shareholding interests or not accept the Proposal at all. If the Scheme is not effective or the Proposal otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any Offeror Concert Parties in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive. Furthermore, Disinterested Scheme Shareholders should also note that, as at the Latest Practicable Date, the Offeror and the Offeror Concert Party Not Subject to the Scheme held 68.22% of the issued share capital of the Company. Unless the Offeror and the Offeror Concert Party Not Subject to the Scheme agree to a sale of their stake, it is unlikely that general offers or privatisation offers by other parties, if any, will be successful.

Taking into account the above, the Proposal and the Scheme (i) on one hand provides an opportunity for the Disinterested Scheme Shareholders to monetise their Shares at a reasonable price with certainty, amidst low trading liquidity of the Shares and fluctuating Share price movement, and the opportunity for Disinterested Scheme Shareholders to redeploy the proceeds towards other investment opportunities; and (ii) on the other hand, upon completion, provide the Offeror and the Company the flexibility to plan for long-term development of the Group's businesses, addressing the challenges and capitalising on the opportunities in the market. In effect, the Proposal can be viewed as a trade-off by the Offeror to Disinterested Scheme Shareholders to free it from the pressure of market and share price performance expectations, and from the high ongoing costs for maintaining the listing status of the Company. Based on the above, we consider that there is mutually beneficial rationale for the Proposal and the Scheme from the perspective of the Offeror, the Company and Disinterested Scheme Shareholders respectively, and on the whole, the Proposal and the Scheme are fair and reasonable so far as the Disinterested Scheme Shareholders are concerned.



**4. The Scheme Consideration**

The Scheme Consideration of HK\$1.80 per Scheme Share represents:

- (a) a premium of approximately 26.76% over the closing price of HK\$1.42 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (b) a premium of approximately 24.14% over the average closing price of approximately HK\$1.45 per Share as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Date;
- (c) a premium of approximately 22.45% over the average closing price of approximately HK\$1.47 per Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Date;
- (d) a premium of approximately 20.00% over the average closing price of approximately HK\$1.50 per Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Date;
- (e) a premium of approximately 20.81% over the average closing price of approximately HK\$1.49 per Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Date;
- (f) a premium of approximately 23.29% over the average closing price of approximately HK\$1.46 per Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Date;
- (g) a discount of approximately 21.05% to the Audited NAV per Share of approximately HK\$2.28 as at 31 December 2022; and a premium of approximately 2.27% over the Audited NTA per Share of approximately HK\$1.76 as at 31 December 2022;
- (h) a discount of approximately 22.08% to the Unaudited NAV per Share of approximately HK\$2.31 as at 30 June 2023; and a premium of approximately 0.56% over the Unaudited NTA per Share of approximately HK\$1.79 as at 30 June 2023; and
- (i) a premium of approximately 7.78% over the closing price of HK\$1.67 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

**4.1 Historical price performance of the Shares**

Set out below is the chart illustrating the historical closing prices of the Shares as quoted on the Stock Exchange during the period commencing from 8 September 2022 to the Last Trading Date (“**Pre-Announcement Period**”), and subsequently up to and including the Latest Practicable Date (“**Post-Announcement Period**”) (collectively, the “**IFA Review Period**”). We consider a period of approximately one year is adequate and representative to illustrate the recent price movements of the Shares, which reflects the prevailing market sentiment for conducting a reasonable comparison between the closing prices of the Shares and the Cancellation Price.



Source: The website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

During the Pre-Announcement Period, the lowest and highest closing prices of the Shares were HK\$1.024 per Share recorded on 19 September 2022 and HK\$1.757 per Share recorded on 16 January 2023 respectively. The Scheme Consideration, being HK\$1.80 per Scheme Share, is higher than the daily closing prices of the Shares throughout the entire Pre-Announcement Period.

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As illustrated in the graph above, the closing prices of Shares showed an upward trend from 19 September 2022 to 14 October 2022. Other than the Company having conducted Share Repurchase, we are not aware of any reasons causing such upward movements in Share price during this period. Thereafter between 14 October 2022 and up to and including 9 January 2023, closing prices of Shares traded within a narrow range of between HK\$1.362 and HK\$1.497 per Share, albeit the continued Share Repurchases during this period. Shares spiked to the highest closing price during the Pre-Announcement Period of HK\$1.757 per Share on 16 January 2023 following the publication of positive profit alert in the morning of 16 January 2023. Based on our discussion with Management, there were no other specific reason identified but noted that it coincided with the aforesaid Share Repurchases ended on 9 January 2023. Closing prices of Shares again trended downward thereafter to a low of HK\$1.304 per Share on 13 March 2023 with no specific reasons identified to have caused such movements.

Following the publication on 24 March 2023 of the announcement relating to the annual results for the year ended 31 December 2022 and the declaration of an interim dividend of HK5 cents per Share (which would be settled by way of scrip only), Share price increased sharply to HK\$1.671 on 28 March 2023 but then started a decreasing trend reaching HK\$1.24 on 2 June 2023. During the months of June and July 2023, Share Repurchases were conducted on 23 trading days. This appeared to have an impact of prices of Shares where Share price increased to HK\$1.70 on 24 July 2023.

The Company ceased to conduct Share Repurchases after 24 July 2023 following commencement of the blackout period pending announcement of its interim results for the six months ended 30 June 2023. During this period, closing prices of Shares traded in a narrow band of HK\$1.45 to HK\$1.55, and after the said announcement on 24 August 2023, Share price settled at HK\$1.42 on the Last Trading Date.

From 11 September 2023 to 15 September 2023, trading in the Shares was suspended pending the publication of the joint announcement of the Offeror and the Company (the “**Joint Announcement**”). When trading resumed on 18 September 2023, the price of Shares closed at HK\$1.69 on that day. The price of the Shares has been traded higher than the closing price on the Last Trading Date, but below the Scheme Consideration since 18 September 2023 up to the Latest Practicable Date.

Considering that (i) the closing price of the Shares had consistently traded below the Scheme Consideration throughout the Pre-Announcement Period; and (ii) the closing price of the Shares has traded below the Scheme Consideration during the Post-Announcement Period, there is no assurance that the price of Shares will sustain at the current level if the Scheme is not approved or the Proposal otherwise lapses. From the perspective historical trading performance of Share price, we are of the view that the Scheme Consideration is fair and reasonable.

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### 4.2 Trading liquidity of the Shares

Set out below is the average daily trading volume of the Shares on a monthly basis and the respective percentage of the average daily trading volume of the Shares as compared to the total number of issued Shares and Shares held by the Disinterested Scheme Shareholders during the IFA Review Period.

	Average daily trading volume (number of Shares)	Average daily trading volume as a percentage to the total number of issued Shares <sup>(1)</sup>	Average daily trading volume as a percentage to the total number of issued Shares held by the Disinterested Scheme Shareholders <sup>(2)</sup>
<b>2022</b>			
September (from 8 September)	142,131	0.03%	0.10%
October	557,546	0.13%	0.39%
November	171,150	0.04%	0.12%
December	83,923	0.02%	0.06%
<b>2023</b>			
January	276,668	0.07%	0.19%
February	50,172	0.01%	0.04%
March	230,796	0.06%	0.18%
April	47,208	0.01%	0.03%
May	25,033	0.01%	0.02%
June	166,616	0.04%	0.12%
July	111,128	0.03%	0.08%
August	16,904	0.00%	0.01%
September (up to the Last Trading Date)	23,803	0.01%	0.02%
September (18 to 29 September)	561,817	0.13%	0.42%
October (up to and including the Latest Practicable Date)	136,078	0.03%	0.10%

Source: The website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

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*Notes:*

- (1) The calculation is based on the average daily trading volume divided by total number of issued Shares as at the end of each relevant month.
- (2) The calculation is based on the average daily trading volume divided by total number of issued Shares held by the Disinterested Scheme Shareholders as at the end of each relevant month.
- (3) The suspension period of trading (from 11 September 2023 to 15 September 2023) is excluded for the calculation of the average daily trading volume of the Shares.

As illustrated in the above table, the percentage of average daily trading volume to (i) the total number of issued Shares and (ii) the total number of Shares held by Disinterested Scheme Shareholders ranged from 0.01% to 0.13% and approximately 0.01% to 0.42% respectively. The average daily trading volume of the Shares during the Pre-Announcement Period was approximately 146,391 shares, representing approximately 0.03% of the total number of issued Shares and approximately 0.11% of the total number of Shares held by Disinterested Scheme Shareholders as at the Last Trading Date. Notwithstanding the Share Repurchases conducted between 26 September 2022 and 9 January 2023 and from 5 June 2023 to 24 July 2023, the trading volume of Shares had been generally low during the Pre-Announcement Period.

We noted that the trading volume of Shares increased after the publication of the Joint Announcement where between 18 September 2023 and the Latest Practicable Date, average daily trading volume of Shares amounted to approximately 299,824 Shares, representing approximately 0.23% of the total number of Shares held by the Disinterested Scheme Shareholders. It can be concluded that, without the Proposal, the Shares were generally illiquid and the higher level of trading volume during the Post-Announcement Period may not be sustainable if the Scheme is not approved or the Proposal otherwise lapses.

Disinterested Scheme Shareholders should note that, as mentioned in the Explanatory Memorandum as contained in the Scheme Document, in the event that the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any Offeror Concert Parties in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive. In the absence of the Scheme, Disinterested Scheme Shareholders will only be able to dispose of their Shares on-market and considering the thin trading volume of Shares, Disinterested Scheme Shareholders may experience difficulty in disposing of their Shares and/or any sale of a significant number of the Shares on the market may result in downward pressure on the market price of Shares.

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In view of the above, we consider that the Scheme, which provides an assured exit alternative for the Disinterested Scheme Shareholders to realise their investment in the Company for cash at the fixed Scheme Consideration regardless of the number of Shares they hold, is fair and reasonable from the perspective of historical trading liquidity of Shares.

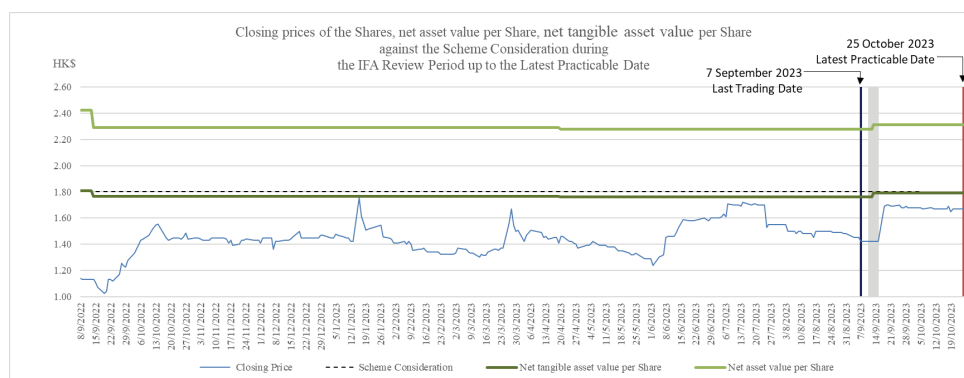
### **4.3 Premium/discount to net asset value and net tangible asset value**

We have presented below a chart illustrating the historical average closing price of the Shares as quoted on the Stock Exchange against the prevailing net asset value per Share and net tangible asset value per Share during the IFA Review Period. However, during the IFA Review Period, the unaudited consolidated results of the Company for the six months ended 30 June 2022 was published on 31 August 2022, the audited consolidated results of the Company for the year ended 31 December 2022 was published on 24 March 2023 and the unaudited consolidated results of the Company for the six months ended 30 June 2023 was published on 24 August 2023. Hence, for your easy reference, during the IFA Review Period:

- the Unaudited NAV per Share and Unaudited NTA per Share as at 30 June 2022 of HK\$2.29 and HK\$1.76 respectively are used to compare with the historical average closing price of the Shares between 8 September 2022 to 23 March 2023;
- the Audited NAV per Share and Audited NTA per Share as at 31 December 2022 of HK\$2.28 and HK\$1.76 respectively are used to compare with the historical average closing price of the Shares between 24 March 2023 to 23 August 2023; and
- the Unaudited NAV per Share and Unaudited NTA per Share as at 30 June 2023 of HK\$2.31 and HK\$1.79 respectively are used to compare with the historical average closing price of the Shares from 24 August 2023 onwards.

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While the Group’s businesses are continuing as a going concern and net asset value or net tangible asset value is more commonly considered for valuation of real estate companies or businesses going into liquidation, we believe the Proposal can be assessed based on these yardsticks as a reference. Net asset value or net tangible asset value provides an alternative measure of the value of the Group by considering the worth of its assets less its liabilities. As operating condition and profitability of a going concern business may experience fluctuation from period to period, the aforesaid yardstick can augment our analysis on the reasonableness of the Scheme Consideration. Set out below is a chart illustrating the historical average closing price of the Shares as quoted on the Stock Exchange against the prevailing net asset value per Share and net tangible asset value per Share during the IFA Review Period:



Source: The website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

According to the Group’s consolidated statement of financial position, its net assets included intangible assets and goodwill related to its pharmaceuticals, healthcare products and cosmetic products businesses. Excluding such intangible assets and goodwill give rise to the Group’s net tangible assets.

As illustrated in the table and the graph above, the price of Shares had been trading at a discount to the Audited NAV per Share, Unaudited NAV per Share, Audited NTA per Share and Unaudited NTA per Share during the entire Pre-Announcement Period. That said, such trading discounts were also observed among the Comparables as illustrated in the paragraph headed “4.4 Comparable analysis” below, indicating that this phenomenon could be common for companies in the industry which the Group operates in.

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The Group's intangible assets and goodwill relate to its pharmaceutical, healthcare products and cosmetic products. According to the Management, the goodwill arose from the Group's previous business acquisition activities and the intangible assets relate development costs and technical know-how. As the value of these items has, to an extent, been reflected in the Group's operational profitability, for our assessment of the worth of the Group's assets and obligations of its liabilities, we consider comparison of net tangible asset value per Share (which excludes intangible assets and goodwill) a more relevant yardstick. In this respect, we noted that the Scheme Consideration represents a slight premium to the Audited NTA per Share and Unaudited NTA per Share, underpinning the fairness and reasonableness of the Scheme Consideration from this perspective.

#### 4.4 *Comparable analysis*

In assessing the fairness and reasonableness of the Scheme Consideration, we have performed analysis on the price-to-earnings ratio (the "**P/E Ratio(s)**"), being a common parameter in assessing a company's value, of companies which are listed on the Stock Exchange and are engaged in similar businesses to those of the Group for comparison purpose ("**Comparable(s)**"). We have also compiled the price-to-book ratio (the "**P/B Ratio(s)**") of the Comparables to provide additional reference for analysis.

On the basis (i) that the majority (over 95%) of the revenue of the Group is derived from the production and sale of specialty pharmaceuticals mainly used in the field of rheumatology and dermatology and other pharmaceuticals; and (ii) the implied market capitalisation of approximately HK\$595.45 million of the Company based on 419,328,434 issued Shares as at the Last Trading Date and the Scheme Consideration, we have set the following selection criteria for the purpose of identifying Comparables:

- (i) the shares of which are listed on the Main Board of the Stock Exchange;
- (ii) of comparable size to the Company with market capitalisation as at the Last Trading Date of between HK\$500 million and HK\$4 billion; and
- (iii) over 50% of revenue is derived from production and sale of pharmaceutical products. As described above and in the section headed "1.1 Background of the Group" above, majority of the Group's revenue is derived from production and sale of pharmaceutical products, we therefore set the selection criteria for the purpose of identifying Comparables as companies having over 50% of the revenue (being the majority) derived from production and sale of pharmaceutical products.

Based on the above criteria, we have identified seven Comparables.



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Whilst there exists no listed company which is of exactly the same business model, scale of operations, trading prospects, target market, product mix and capital structure as the Group and we have not conducted any in-depth investigation into the businesses and operations of the Comparables save for the aforesaid selection criteria, we believe the Comparables selected based on the aforesaid criteria is appropriate to serve as a benchmark reference for our comparable analysis purpose. The list of Comparables is exhaustive based on the selection criteria set out above and would serve as a fair and representative sample for drawing a meaningful comparison to the Scheme Consideration. Details of the Comparables are summarised below:

Stock code	Company name	Principal businesses	Market capitalisation <sup>(1)</sup> (HK\$ million)	Net profit <sup>(2)</sup> (HK\$ million)	P/E Ratio <sup>(3)</sup> (times)	Net tangible asset value <sup>(4)</sup> (HK\$ million)	P/B Ratio <sup>(5)</sup> (times)
719	Shandong Xinhua Pharmaceutical Company Limited	Production and sales of (i) chemical bulk drugs; (ii) preparations; (iii) chemical intermediates and other products.	1,045.20	439.98	2.38	4,147.10	0.26
950	Lee's Pharmaceutical Holdings Limited	(i) Manufacturing and sales of self-developed and generic pharmaceutical products; and (ii) trading of licensed-in pharmaceutical products.	771.37	51.28	15.04	867.27	0.89
1652	Fusen Pharmaceutical Company Limited	Sales of Shuanghuanglian Oral Solutions, Shuanghuanglian Injections and other pharmaceutical products.	1,124.93	(37.08)	N/A	655.28	1.72
2348	Dawnrays Pharmaceutical (Holdings) Limited	Manufacture and sale of (i) finished drugs (including antibiotics finished drugs and non-antibiotics finished drugs) and (ii) intermediates and bulk medicines.	1,620.05	383.12	4.23	2,261.64	0.72
2633	Jacobson Pharma Corporation Limited	Develops, manufactures and/or distributes (i) generic drugs (a host of off-patent medicines for various therapeutic use) and (ii) branded medicines, proprietary Chinese medicines and health and wellness products.	1,276.59	359.10	3.55	1,936.45	0.66
3737	Zhongzhi Pharmaceutical Holdings Limited	(i) Pharmaceutical manufacturing; and (ii) operation of chain pharmacies.	1,122.68	113.83	9.86	1,058.15	1.06
6833	Sinco Pharmaceuticals Holdings Limited	(i) Sale of imported pharmaceutical products; (ii) research and manufacturing of aesthetic medicine; and (iii) provision of the medical beauty services.	508.22	74.32	6.84	523.28	0.97
		<b>Maximum<sup>(6)</sup></b>			<b>15.04</b>		<b>1.72</b>
		<b>Minimum<sup>(6)</sup></b>			<b>2.38</b>		<b>0.26</b>
		<b>Mean<sup>(6)</sup></b>			<b>6.89</b>		<b>0.90</b>
		<b>Median<sup>(6)</sup></b>			<b>5.53</b>		<b>0.89</b>
503	<b>The Company<sup>(7)</sup></b> (based on the issued share capital as at the Latest Practicable Date)		<b>754.79</b>	<b>67.40</b>	<b>11.20</b>	<b>736.28</b>	<b>1.03</b>

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## PART III LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Source: The website of the Stock Exchange (www.hkex.com.hk)*

*Notes:*

- (1) Market capitalisation is calculated based on the share closing price of the respective companies times the total number of shares in issue as at the Latest Practicable Date.
- (2) The net profit attributable to shareholders of the Comparables are extracted from their respective latest published annual reports prior to the Latest Practicable Date.
- (3) P/E Ratios of the Comparables are calculated based on their respective market capitalisation as described in note 1 above and divided by the net profit attributable to shareholders as described in note 2 above.
- (4) Net tangible asset value of the Comparables refer to their respective net tangible assets (calculated based on their respective net assets minus goodwill and/or intangible assets) extracted from their respective latest published annual reports as at the Latest Practicable Date.
- (5) P/B Ratio is calculated based on the market capitalisation as described in note 1 divided by net tangible asset value as described in note 4 above.
- (6) Excluding loss-making companies for statistical calculation of P/E ratio.
- (7) The implied market capitalisation, P/E Ratio and P/B Ratio of the Company are calculated based on the Scheme Consideration and 419,328,434 issued Shares.

As shown in the table above, the P/E Ratios of the Comparables range from approximately 2.38 times to 15.04 times, with mean and median of approximately 6.89 times and 5.53 times respectively. The implied P/E Ratio of the Company is approximately 11.20 times which is at the high end of the Comparables' range, and higher than the mean and median of the Comparables.

The P/B Ratios of the Comparables range from approximately 0.26 times to 1.72 times, with mean and median of approximately 0.90 times and 0.89 times respectively. The implied P/B Ratio of the Company is approximately 1.03 times which is within the range of the Comparables, and higher than the mean and median of the Comparables.

From the perspective of market comparable analysis based on these commonly adopted yardsticks, we are of the view that the Scheme Consideration is fair and reasonable.

## PART III LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 5. Privatisation precedents

As disclosed in the Explanatory Memorandum as contained in the Scheme Document, we noted that the Scheme Consideration has been determined taking into account other similar privatisation transactions relating to companies listed on the Stock Exchange in the recent years. In this regard, we have conducted research on privatisation transactions announced during the one-year period commencing from 8 September 2022 and up to and including the Last Trading Date (the “**Reference Period**”) and with successful outcome as at the Latest Practicable Date (the “**Privatisation Precedents**”). Based on the above selection criteria, we identified an exhaustive list of six comparable Privatisation Precedents which details are summarised below:

Stock code	Company name	Principal businesses	Date of initial announcement of the privatisation proposal	Market capitalisation <sup>(1)</sup> (HK\$ million)	Revenue <sup>(2)</sup> (HK\$ million)	Net profit <sup>(3)</sup> (HK\$ million)	Net asset value <sup>(4)</sup> (HK\$ million)	Premium of the offer/cancellation price over closing price per share on the last trading day prior to the publication of initial announcement %
1031	Kingston Financial Group Limited	Provision of a full range of financial services including securities brokerage, underwriting and placements, margin and initial public offering financing, corporate finance advisory services and futures brokerage services in Hong Kong and hotel and gaming businesses in Macau.	24 Oct 2022	4,084.34	1,973.13	44.74	9,651.71	47.78%
8075	Media Asia Group Holdings Limited	(i) Film production and distribution; organisation, management and production of concerts and live performances; (ii) artiste management; production and distribution of television programs; (iii) music production and publishing; licensing of media contents; (iv) provision of consultancy services in planning and management of cultural, entertainment and live performance projects.	10 Nov 2022	1,075.07	222.47	N/A	257.09	7.46%

## PART III LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Stock code	Company name	Principal businesses	Date of initial announcement of the privatisation proposal	Market capitalisation <sup>(1)</sup> (HK\$ million)	Revenue <sup>(2)</sup> (HK\$ million)	Net profit <sup>(3)</sup> (HK\$ million)	Net asset value <sup>(4)</sup> (HK\$ million)	Premium of the offer/cancellation price over closing price per share on the last trading day prior to the publication of initial announcement %
2686	AAG Energy Holdings Limited	Exploration, development and production of coalbed methane in the PRC.	17 Feb 2023	6,281.34	2,746.42	1,515.24	8,092.22	10.12%
1366	Jiangnan Group Limited	Manufacture of and trading in wires and cables.	21 Feb 2023	2,447.32	20,491.92	147.16	6,399.79	12.68%
3948	Inner Mongolia Yitai Coal Co., Ltd.	Coal production and operation, supported by rail transportation and coal chemical industries.	9 May 2023	5,705.12	64,891.94	11,743.63	57,847.23	8.97%
3799	Dali Foods Group Company Limited	Manufacture and sale of food and beverage in the PRC.	27 Jun 2023	51,352.94	21,354.20	3,199.39	20,001.57	37.87%
		<b>Maximum</b>						<b>47.78%</b>
		<b>Minimum</b>						<b>7.46%</b>
		<b>Mean</b>						<b>20.81%</b>
		<b>Median</b>						<b>11.40%</b>
503	The Company	Manufacturing and trading of pharmaceutical products	15 Sep 2023	754.79	426.39	691.53	1,323.61	26.76%

Source: The website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

Notes:

- (1) Market capitalisation is calculated based on the offer/cancellation price of the respective companies times the total number of shares in issue as at the latest practicable date.
- (2) Revenue is extracted from their respective latest published annual reports prior to the latest practicable date.
- (3) The net profit attributable to shareholders are extracted from their respective latest published annual reports prior to the latest practicable date.
- (4) Net asset value refers to their respective net tangible assets (calculated based on their respective net assets minus goodwill and/or intangible assets) extracted from their respective latest published annual reports as at the latest practicable date.

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## **PART III LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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From the above table, we noted that the Privatisation Precedents involved companies from different industries ranging from provision of financial services, software and services, manufacturing of consumer and industrial products to industrial transportation and engineering, property development, department stores and hotel operations and management. None of the Privatisation Precedents were in pharmaceutical businesses. The size and scale of the Privatisation Precedents as indicated by their market capitalisations also varied vastly ranging from approximately HK\$1.0 billion to HK\$51.4 billion. The Privatisation Precedents also occurred during different market cycles where during the Reference Period, the Hang Seng Index (which we believe can be used as a proxy of the trading sentiments on the Stock Exchange) had ranged between 14,800 and 22,700. Overall, we observed that the Privatisation Precedents are in different industries and operate in different markets which fundamentals and prospects could be different from that of the Group at this moment. There are also variations in terms of scale of operations, financial performance and position as well as trading prospects and hence, difference in risk premiums afforded by the market.

Having considered the above, whilst we note that the Offeror made reference to other privatisation transactions relating to companies listed on the Stock Exchange as one of the factors when they determine the Scheme Consideration, we are of the view that analysis of Privatisation Precedents is not particularly relevant for assessing the fairness and reasonableness of the Scheme Consideration due to the reasons mentioned in the paragraph above as well as the fact that they were conducted at periods of different economic and financial market cycles; and depending on the outlook at that point in time, will result in different considerations for their shareholders. Accordingly, we consider the analysis in the other sections above to be more appropriate for the Disinterested Scheme Shareholders to make an informed assessment on the fairness and reasonableness of the Scheme Consideration.

### **RECOMMENDATION**

In summary, having considered the following principal factors and reasons:

- (i) after achieving recovery growth in FY2022, the Group's financial performance during 1H FY2023 was lacklustre with lower profitability. The Group requires long term planning to capitalise on the opportunities while addressing the challenges of the pharmaceutical industry;
- (ii) the Company has maintained stable dividend pay-out (including scrip-only dividend declared in 1H FY2023) although there is no assurance that the Company would pay dividend in the future. In particular, the Group had in 2021 paid to Shareholders a special dividend, returning the capital received pursuant to the realisation of Starry, a then major investment of the Group. The Company has confirmed that it does not intend to announce, declare or pay any dividend, distribution or other return of capital during the offer period in relation to the Proposal;

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## PART III LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (iii) from the Disinterested Scheme Shareholders' perspective, the Scheme enables the Disinterested Scheme Shareholders to receive immediate cash proceeds at a reasonable Scheme Consideration amidst low trading liquidity of Shares and fluctuating Share price movements; and they can potentially redeploy the proceeds towards other investment opportunities;
- (iv) from the Offeror and the Company's perspective, as the usefulness of a listed platform for the Company has diminished, the Scheme enables the Company to (i) reduce the ongoing administrative costs and management resources for maintaining the listing status of the Company; and (ii) provide more flexibility to the Offeror and the Group to formulate long-term commercial development and to maintain competitiveness to cope with the challenging market environment;
- (v) the Scheme Consideration represents a premium over the closing price of the Shares during the IFA Review Period and a slight premium to the Audited NTA per Share and Unaudited NTA per Share;
- (vi) the trading volume of the Shares had been generally thin during the IFA Review Period and the Scheme provides an opportunity for Disinterested Scheme Shareholders to realise their investment in the Company for cash at the fixed Scheme Consideration regardless of the number of Shares they hold without exerting downward pressure on the market price of the Shares; and
- (vii) from the perspective of market comparable analysis, the implied P/E Ratio of the Company is at the high end of the Comparables' range, and higher than the mean and median of the Comparables and the implied P/B Ratio of the Company is within the range of the Comparables, and higher than the mean and median of the Comparables,

we consider that the terms of the Proposal and the Scheme are fair and reasonable and accordingly, we recommend the Independent Board Committee to advise (i) the Disinterested Scheme Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting and (ii) the Shareholders to vote in favour of the special resolution in connection with the implementation and completion of the Proposal at the General Meeting.

**As different Shareholders would have different investment criteria, objectives or risk appetite and profiles, we recommend any Shareholders who may require advice in relation to any aspect of the Scheme Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.**

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## PART III LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Disinterested Scheme Shareholders are reminded that their decisions to dispose or retain their investments or exercise their rights in the Shares, having regard to their own circumstances and investment objectives and are reminded to closely monitor the market price and liquidity of the Shares during the offer period and consider selling their Shares in the open market, where possible, if the net proceeds (after deducting all transaction costs) exceed the net amount to be received under the Scheme.

Yours faithfully,  
For and behalf of  
**Altus Capital Limited**

**Jeanny Leung**  
*Responsible Officer*

**Chang Sean Pey**  
*Responsible Officer*

Ms. Jeanny Leung (“**Ms. Leung**”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions.

Mr. Chang Sean Pey (“**Mr. Chang**”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Mr. Chang has over 25 years of experience in banking, corporate finance advisory and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.

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## PART IV EXPLANATORY MEMORANDUM

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*This Explanatory Memorandum constitutes the statement required under Order 102, rule 20(4)(e) of the Rules of the Grand Court of the Cayman Islands 1995 (As Revised).*

### A SCHEME OF ARRANGEMENT (UNDER SECTION 86 OF THE COMPANIES ACT) TO CANCEL AND EXTINGUISH ALL THE SCHEME SHARES

#### INTRODUCTION

Pursuant to the Announcement, the Offeror and the Company jointly announced that, on 8 September 2023, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of the Scheme under section 86 of the Companies Act.

If the Proposal is approved and implemented:

- (a) all the Scheme Shares held by the Scheme Shareholders will be cancelled and extinguished on the Effective Date in exchange for the payment by the Offeror to each Scheme Shareholder of the Scheme Consideration of HK\$1.80 in cash for each Scheme Share cancelled and extinguished;
- (b) the issued share capital of the Company will be maintained at the amount immediately prior to the cancellation and extinguishment of the Scheme Shares by the simultaneous allotment and issuance to the Offeror of the same number of new Shares as the number of Scheme Shares cancelled and extinguished, and the credit arising in the Company's books of account as a result of the cancellation and extinguishment of the Scheme Shares will be applied in paying up in full at par the new Shares so allotted and issued to the Offeror;
- (c) the Offeror and the Offeror Concert Party Not Subject to the Scheme will in aggregate own 100% of the total number of Shares in issue; and
- (d) the Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange pursuant to Rule 6.15(2) of the Listing Rules, with effect immediately following the Effective Date.

The purpose of this Explanatory Memorandum is to explain the terms and effects of the Proposal and to provide the Scheme Shareholders with other relevant information in relation to the Proposal.

The particular attention of the Scheme Shareholders is drawn to the following sections of this Scheme Document: (i) the "Letter from the Board" set out in Part I of this Scheme Document; (ii) the "Letter from the Independent Board Committee" set out in Part II of this Scheme Document; (iii) the "Letter from the Independent Financial Adviser" set out in Part III of this Scheme Document; and (iv) the terms of the Scheme set out in Appendix III to this Scheme Document.



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## PART IV EXPLANATORY MEMORANDUM

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### THE PROPOSAL

#### Scheme Consideration

Under the Proposal, if the Scheme becomes effective, the Scheme Shareholders will be entitled to receive from the Offeror the Scheme Consideration of HK\$1.80 in cash for each Scheme Share, as consideration for the cancellation and extinguishment of the Scheme Shares.

As at the Latest Practicable Date, the Company has 419,328,434 Shares in issue. There are no outstanding options, warrants, derivatives, convertible securities or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company. The Company does not have any outstanding dividends declared and has no intention to declare such dividend prior to completion of the Proposal.

#### Comparison of value

The Scheme Consideration of HK\$1.80 per Scheme Share represents:

- (i) a premium of approximately 26.76% over the closing price of HK\$1.42 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (ii) a premium of approximately 24.14% over the average closing price of approximately HK\$1.45 per Share as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Date;
- (iii) a premium of approximately 22.45% over the average closing price of approximately HK\$1.47 per Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Date;
- (iv) a premium of approximately 20.00% over the average closing price of approximately HK\$1.50 per Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Date;
- (v) a premium of approximately 20.81% over the average closing price of approximately HK\$1.49 per Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Date;
- (vi) a premium of approximately 23.29% over the average closing price of approximately HK\$1.46 per Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Date;
- (vii) a discount of approximately 21.05% to the Audited NAV per Share of approximately HK\$2.28 as at 31 December 2022; and a premium of approximately 2.27% over the Audited NTA per Share of approximately HK\$1.76 as at 31 December 2022;

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## PART IV EXPLANATORY MEMORANDUM

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- (viii) a discount of approximately 22.08% to the Unaudited NAV per Share of approximately HK\$2.31 as at 30 June 2023; and a premium of approximately 0.56% over the Unaudited NTA per Share of approximately HK\$1.79 as at 30 June 2023; and
- (ix) a premium of approximately 7.78% over the closing price of HK\$1.67 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

### **Basis of determining the Scheme Consideration**

The Scheme Consideration has been determined after taking into account, among others, the recently traded prices of the Shares on the Stock Exchange and the publicly available financial information of the Company, and with reference to prevailing privatisation transactions in Hong Kong.

**The Scheme Consideration will not be increased, and the Offeror does not reserve the right to do so. Shareholders and potential investors should be aware that, following the making of such statement, the Offeror will not be allowed to increase the Scheme Consideration.**

### **Dividend payment by the Company**

If, after the Latest Practicable Date, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the Shares, the Offeror reserves the right to reduce the Scheme Consideration by all or any part of the net amount or value of such dividend, distribution and/or, as the case may be, return of capital after consultation with the Executive, in which case any reference in this Scheme Document or any other announcement or document to the Scheme Consideration will be deemed to be a reference to the Scheme Consideration as so reduced.

The Company has confirmed that it does not intend to announce, declare or pay any dividend, distribution or other return of capital during the Offer Period in relation to the Proposal. As at the Latest Practicable Date, there is no outstanding dividend in respect of the Shares that has been announced but not yet paid.

### **Highest and lowest prices**

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$1.72 on 14 July 2023 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$1.24 on 2 June 2023.

### **Total consideration**

On the basis of the Scheme Consideration of HK\$1.80 per Scheme Share and 133,244,110 Scheme Shares in issue as at the Latest Practicable Date and assuming no further Shares will be issued on or before the Scheme Record Date, the maximum amount of cash required to effect the Proposal would be HK\$239,839,398.

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## PART IV EXPLANATORY MEMORANDUM

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### Confirmation of financial resources

Payment of the Scheme Consideration in cash under the Proposal by the Offeror will be financed by internal cash resources of the Offeror.

Yu Ming, as financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy the maximum amount of Scheme Consideration required to effect the Proposal.

### Conditions of the Proposal

The Proposal (including the Scheme) will become effective and binding on the Company and all Shareholders, subject to the fulfilment or waiver (as applicable) of the following Conditions:

- (a) the approval of the Scheme (by way of poll) at the Court Meeting by the Scheme Shareholders representing not less than 75% in value of the Scheme Shares present and voting in person or by proxy at the Court Meeting in accordance with the requirements of section 86 of the Companies Act, provided that:
  - (i) the Scheme is approved (by way of poll) by not less than 75% of the votes attaching to the Scheme Shares held by the Disinterested Scheme Shareholders that are cast either present and voting in person or by proxy at the Court Meeting; and
  - (ii) the number of votes cast (by way of poll) against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Scheme Shares held by all Disinterested Scheme Shareholders.
- (b) the passing of a special resolution by a majority of at least 75% of the votes cast by the Shareholders present and voting in person or by proxy at the General Meeting to approve and give effect to:
  - (i) any reduction of the issued share capital of the Company associated with the cancellation and extinguishment of the Scheme Shares;
  - (ii) the maintenance of the issued share capital of the Company at the amount immediately prior to the cancellation of the Scheme Shares by the simultaneous allotment and issuance to the Offeror of such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished and the application of the credit arising in the Company's books of accounts as a result of the cancellation and extinguishment of the Scheme Shares in paying up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished, to the Offeror; and

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## PART IV EXPLANATORY MEMORANDUM

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- (iii) the withdrawal of listing of the Shares from the Stock Exchange subject to the Scheme becoming effective.
- (c) the Grand Court's sanction of the Scheme (with or without modification) under section 86 of the Companies Act and the delivery to the Registrar of Companies of a copy of the order of the Grand Court for registration;
- (d) all necessary authorisations, approvals, permissions, waivers and consents and all registrations and filings (including without limitation any which are required or desirable under or in connection with any applicable laws or regulations or any licences, permits or contractual obligations of the Company) in connection with the Proposal or its implementation and the withdrawal of listing of the Shares from the Stock Exchange in accordance with its terms having been obtained (or, as the case may be, completed) and remaining in full force and effect without modification;
- (e) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order), in each case, which would make the Proposal or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material conditions or obligations with respect to the Proposal or its implementation in accordance with its terms) other than such actions, proceedings, suits, investigations or enquiries as would not have a material adverse effect on the legal ability of the Offeror to proceed with the Proposal or the Scheme;
- (f) all necessary legal or regulatory obligations in all relevant jurisdictions having been complied with and no legal or regulatory requirement having been imposed which is not expressly provided for, or is in addition to the requirements expressly provided for, in the relevant laws or regulations in connection with the Proposal or its implementation in accordance with its terms (if any); and
- (g) there having been no adverse material change in the business, assets, financial or trading position, profits or prospects of any member of the Group (to an extent which is material in the context of the Group taken as a whole or in the context of the Proposal or its implementation in accordance with its terms) whether or not as a result of the implementation of the Proposal, which is material in the context of the Group as a whole or in the context of the Proposal or its implementation in accordance with its terms.

The Offeror reserves the right to waive Conditions (d) to (g) either in whole or in part, either generally or in respect of any particular matter to the extent that such waiver would not make the Proposal or the Scheme or its implementation in accordance with its terms illegal. Conditions (a) to (c) cannot be waived in any event. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Scheme if the circumstances which give rise to a right to invoke any such Condition are of material significance to the Offeror in the context of the Proposal.

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## PART IV EXPLANATORY MEMORANDUM

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As at the Latest Practicable Date, the Offeror is not aware of any of the authorisations, approvals, permissions, waivers, consents, registrations and filings, or any legal or regulatory obligations as set out in Conditions (d) and (f) other than those set out in Conditions (a) to (c); or any such action, proceeding, suit, investigation or enquiry as set out in Condition(e).

All of the Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Proposal and the Scheme will lapse. The Company has no right to waive any of the Conditions. If approved and implemented, the Scheme will be binding on all of the Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the General Meeting.

As at the Latest Practicable Date, none of the Conditions set out in paragraphs (a) to (g) have been fulfilled or waived (as the case may be).

**Shareholders and/or potential investors should be aware that the implementation of the Proposal and the Scheme is subject to the Conditions being fulfilled or waived, as applicable, and therefore the Proposal may or may not be implemented and the Scheme may or may not become effective. Shareholders and/or potential investors should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should consult their stockbroker, licensed securities dealer, registered institution in securities, bank manager, solicitor or other professional advisers.**

## PART IV EXPLANATORY MEMORANDUM

### SHAREHOLDING STRUCTURE OF THE COMPANY

On the assumption that there is no other change in shareholding of the Company before completion of the Proposal, the table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the Proposal:

	As at the Latest Practicable Date		Immediately upon completion of the Proposal	
	No. of Shares	%	No. of Shares	%
<b>A. Offeror</b> <sup>Note 1</sup>	217,281,593	51.81%	350,525,703	83.59%
<b>B. Offeror Concert Party Not Subject to the Scheme</b>				
Cosmos Skyland Limited <sup>Note 2</sup>	68,802,731	16.41%	68,802,731	16.41%
<b>C. Offeror Concert Party Subject to the Scheme</b>				
Mr. Patrick Sung <sup>Note 3</sup>	23,035	0.01%	—	—
<b>Sub-total (A+B+C):</b>	286,107,359	68.23%	419,328,434	100.00%
<b>D. Disinterested Scheme Shareholders</b>				
Dr. Zhu Xun <sup>Note 4</sup>	140,836	0.03%	—	—
Public Shareholders	133,080,239	31.74%	—	—
<b>Sub-total:</b>	133,221,075	31.77%	—	—
<b>Total</b>	<u>419,328,434</u>	<u>100.00%</u>	<u>419,328,434</u>	<u>100.00%</u>
<b>E. Scheme Shareholders (C+D)</b>	<u>133,244,110</u>	<u>31.78%</u>	—	—

For the avoidance of doubt, the Scheme Shares comprise all Shares in issue on the Scheme Record Date other than those held by the Offeror or the Offeror Concert Party Not Subject to the Scheme.

*Notes:*

- The Offeror is a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by First Lucky Star Trust, the settlor of which is Mr. Wu Zhen Tao, and the beneficiaries includes Mr. Wu Zhen Tao and his family members. Upon the Scheme becoming effective, the share capital of the Company will be maintained at its former amount by the simultaneous allotment and issuance to the Offeror of the same number of the Shares as the number of Scheme Shares cancelled and extinguished, and the credit arising in the Company's books of account as a result of the cancellation and extinguishment of the Scheme Shares will be applied in paying up in full at par the new Shares so allotted and issued to the Offeror.

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## PART IV EXPLANATORY MEMORANDUM

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2. Cosmos Skyland Limited is a company incorporated in the British Virgin Islands with limited liability and is directly wholly owned by Mr. Wu Zhen Tao.
3. Mr. Patrick Sung is a director of the Offeror.
4. Dr. Zhu Xun being an independent non-executive Director and holder of 140,836 Shares (representing approximately 0.1% of the Scheme Shares) as at the Latest Practicable Date, is also a Disinterested Scheme Shareholder under the Scheme.

As at the Latest Practicable Date:

- (i) the issued share capital of the Company comprised 419,328,434 Shares;
- (ii) there were no outstanding options, warrants, derivatives, convertible securities or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company other than the 419,328,434 Shares;
- (iii) the Offeror directly held 217,281,593 Shares, representing approximately 51.81% of the total number of Shares in issue;
- (iv) the Offeror Concert Party Not Subject to the Scheme directly held 68,802,731 Shares, representing approximately 16.41% of the total number of Shares in issue;
- (v) the Offeror Concert Party Subject to the Scheme directly held 23,035 Shares, representing approximately 0.01% of the total number of Shares in issue;
- (vi) save as disclosed in paragraphs (iii), (iv) and (v) above, the Offeror and the Offeror Concert Parties did not legally and beneficially own, control or have direction over any other Shares;
- (vii) the Scheme Shares comprised a total of 133,244,110 Shares held or beneficially owned by the Disinterested Scheme Shareholders and the Offeror Concert Party Subject to the Scheme, representing approximately 31.78% of the total number of Shares in issue; and
- (viii) there were no convertible securities, warrants or options in respect of the Shares held, controlled or directed by the Offeror or Offeror Concert Parties.

For the avoidance of doubt, all the Scheme Shares will be cancelled upon the Scheme becoming effective.

Upon the Scheme becoming effective, the Offeror and the Offeror Concert Party Not Subject to the Scheme will collectively hold 100% of the total number of Shares in issue, of which (i) approximately 83.59% will be held by the Offeror; and (ii) approximately 16.41% will be held by the Offeror Concert Party Not Subject to the Scheme.

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## PART IV EXPLANATORY MEMORANDUM

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### REASONS FOR AND BENEFITS OF THE PROPOSAL

#### For the Scheme Shareholders

The Proposal is intended to give the Scheme Shareholders an opportunity to realise their Scheme Shares for the Scheme Consideration at a premium over the current market price. The Scheme Consideration represents (i) approximately 75.78% premium over the lowest closing price of HK\$1.024 per Share in the Review Period; and (ii) approximately 2.45% premium over the highest closing price of HK\$1.757 per Share in the Review Period. During the Review Period, the Company has conducted share repurchases on the market (“**Share Repurchase(s)**”) in two periods of time, lasting intermittently for 43 and 23 trading days respectively. It is noted that during the Share Repurchases period, the closing prices of Shares increased by 30.2% and 37.1% when comparing the closing prices of the Shares prior to each Share Repurchase period to closing price on the last trading day of the periods. In addition, the lowest closing price during the Review Period was on the 5th trading day prior to the first Share Repurchase period, whereas the highest closing price was on the 5th trading day after the first Share Repurchase period, this show the upward price movement was stimulated by the Share Repurchase.

In addition, the average daily trading volume of the Shares during the Review Period was approximately 154,000 Shares per day, representing only approximately 0.04% of the Shares in issue as at the Last Trading Day. Such average daily trading volume has included the improved daily trading volume of the Shares during Share Repurchases period. For the trading days the Company conducted Share Repurchases, the average trading volume was approximately 329,000 Shares per day, representing approximately 0.08% of the Shares in issue as at the Last Trading Day, whereas for other trading days when the Company did not conduct Share Repurchases, the average trading volume was approximately 90,000 Shares per day, representing only approximately 0.02% of the Shares in issue as at the Last Trading Day. The low trading liquidity of the Shares could make it difficult for Shareholders to execute substantial on-market disposals without adversely affecting the price of the Shares especially when any event that has an adverse impact on the Share price occurs.

Scheme Shareholders who prefer to switch investment of their holding in the Shares into other investments with better prospects or higher share trading volume might not be able to do so in the absence of the Proposal because of the thin trading volume of the Shares. For some Scheme Shareholders, given the current state of the economy and the uncertainty on the timing of a recovery, they may find the Proposal particularly timely and attractive.

#### For the Company

During the Review Period, the Shares have been trading at (i) a discount from approximately 23.94% to 55.67% to the Unaudited NAV per Share as at 30 June 2023 (calculated by the lowest and the highest closing price of the Shares over the Unaudited NAV per Share of approximately HK\$2.31); and (ii) a discount from approximately 1.84% to 42.79% to the Unaudited NTA per Share as at 30 June 2023 (calculated by the lowest and the highest closing price of the Shares over the Unaudited NTA per Share of approximately HK\$1.79).



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## PART IV EXPLANATORY MEMORANDUM

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Considering the relative underperformance in the trading price of the Shares, as well as the low liquidity as mentioned above and a high compliance cost for maintaining listing status (including regulatory compliance, disclosure and publication of financial statements), the Company's current listing platform lost its primary function of supporting the Group as a source of funding sufficiently for its long-term growth, and the cost and expenses outweigh the benefit from maintaining the listing status of the Company.

Following the implementation of the Proposal, the Company is expected to substantially reduce the administrative costs and management resources to be committed in maintaining its listing status and compliance with regulatory requirements.

### **For the Offeror**

Following the implementation of the Proposal, the Company is expected to substantially reduce the administrative costs and management resources to be committed in maintaining its listing status and compliance with regulatory requirements. The Offeror believes that the successful implementation of the Proposal will provide more flexibility to the Group as a privately-owned business, free the management team from distractions arising from the public equities market.

### **INTENTION OF THE OFFEROR IN RESPECT OF THE GROUP**

The Offeror intends to continue the existing business of the Group, which principally comprises of pharmaceutical businesses. The Offeror does not have any plan to make any material change to the existing principal businesses of the Group, including any major redeployment of the fixed assets of the Group or the continued employment of the employees of the Group (other than in the ordinary course of business). The Offeror does not have any plan to list the Shares in any stock exchange following withdrawal of the listing of the Shares on the Stock Exchange.

### **INFORMATION ON THE OFFEROR**

The Offeror is a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by First Lucky Star Trust, the settlor of which is Mr. Wu Zhen Tao, and the beneficiaries include Mr. Wu Zhen Tao and his family members. The Offeror is an investment holding company. The directors of the Offeror are Mr. Siu Ka Chi Eric and Mr. Patrick Sung.

Mr. Wu Zhen Tao is a non-executive Director and chairman of the Company. He is also the founder and the executive chairman of CIH, which indirectly wholly owns the entire equity interest of the Offeror, which in turn is interested in 217,281,593 Shares, representing approximately 51.81% of the total issued Shares as at the Latest Practicable Date. The Cathay Group has over 20 years' history of business and investment focused on the PRC. Mr. Wu Zhen Tao was born and educated in Beijing, he was graduated from the Beijing University of Technology in 1982 and he also hold a degree in Business Administration. Mr. Wu Zhen Tao acted as a senior executive in government scientific institutes in the PRC from 1982 to 1985 and as managing director of two newly established state-owned financial institutions in the PRC from 1986 to 1989. Since 1988, Mr. Wu Zhen Tao has, through companies, invested in and developed the Landmark Hotel (now called Crowne Plaza Hotel & Suites Landmark Shenzhen) in Shenzhen and established the Cathay

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## **PART IV EXPLANATORY MEMORANDUM**

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International Water Limited group of companies, which made substantial investments in public utilities and infrastructure in the PRC, strategic shareholders of which included JP Morgan, Singapore Technologies, UBS, Banco Santander and Nomura JAFCO, and it was once the largest foreign investor in water and waste water treatment projects in the PRC with net assets of over US\$1 billion.

### **INFORMATION ON THE COMPANY**

The Company is an exempted limited liability company incorporated in the Cayman Islands and has been listed on the Main Board of the Stock Exchange since 7 May 2010. The Group is principally engaged in the pharmaceutical businesses in the PRC.

### **WITHDRAWAL OF LISTING OF THE SHARES**

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and extinguished (with the equivalent number of new Shares being allotted and issued as fully paid to the Offeror) and the share certificates for the Scheme Shares cancelled and extinguished will thereafter cease to have effect as documents or evidence of title. The Offeror has no intention to retain the Company's listing on the Stock Exchange, the Company will make an application for the listing of the Shares to be withdrawn from the Stock Exchange pursuant to Rule 6.15(2) of the Listing Rules, with effect immediately following the Effective Date.

Shareholders will be notified by way of an announcement of the exact dates of the last day for dealing in the Shares and the day on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective. Please note that the timetable as set out in the section headed "Expected Timetable" in this Scheme Document is indicative and is included in this Scheme Document for information only.

### **IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES**

Subject to the requirements of the Takeovers Code, the Proposal will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date. If the Scheme is not approved or the Proposal otherwise lapses, the listing of the Shares on the Stock Exchange will not be withdrawn.

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under Rule 31.1 of the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor the Offeror Concert Parties (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive.

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## PART IV EXPLANATORY MEMORANDUM

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### OVERSEAS SHAREHOLDERS

The making of the Proposal to, and the acceptance of the Proposal by, the Scheme Shareholders who are not resident in Hong Kong may be affected by the applicable laws of the relevant jurisdictions in which such Scheme Shareholders are located. Any Scheme Shareholders who are not resident in Hong Kong should inform themselves about and observe any applicable legal or regulatory requirements in their own jurisdictions.

It is the responsibility of any overseas Scheme Shareholders wishing to take any action in relation to the Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, the compliance with the necessary formalities and the payment of any issue, transfer or other taxes due from the Scheme Shareholders in such jurisdiction.

Any acceptance by such Scheme Shareholders will be deemed to constitute a representation and warranty from such persons to the Offeror and the Company and their respective advisers, including Yu Ming, the financial adviser to the Offeror, that those laws and regulatory requirements have been complied with. If you are in doubt as to your position, you should consult your professional advisers.

In the event that the receipt of the Scheme Document by overseas Scheme Shareholders is prohibited by any relevant law or regulation or may only be effected after compliance with conditions or requirements that the directors of the Offeror or the Company regard as unduly onerous or burdensome (or otherwise not in the best interests of the Offeror or the Company or their respective shareholders), the Scheme Document may not be despatched to such overseas Scheme Shareholders. For that purpose, the Company will apply for a waiver pursuant to Note 3 to Rule 8 of the Takeovers Code at such time. Any such waiver will only be granted if the Executive is satisfied that it would be unduly burdensome to despatch the Scheme Document to such overseas Scheme Shareholders.

As at the Latest Practicable Date, there were no Shareholders whose addresses as shown in the register of members of the Company were outside Hong Kong.

### TAXATION ADVICE

As the Scheme does not involve the sale and purchase of Hong Kong stock, no stamp duty will be payable pursuant to the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) on the cancellation and extinguishment of the Scheme Shares upon the Scheme becoming effective.

The Scheme Shareholders, whether in Hong Kong or in other jurisdictions, are encouraged to consult their own professional advisers if they are in any doubt as to the taxation implications of the Scheme and in particular, whether the receipt of the Scheme Consideration under the Scheme would make such Scheme Shareholders liable to taxation in Hong Kong or in other jurisdictions.

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## PART IV EXPLANATORY MEMORANDUM

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**It is emphasised that none of the Offeror and Offeror Concert Parties, the Company, Yu Ming, the Independent Financial Adviser or any of their respective directors, officers or associates or any other person involved in the Proposal accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Proposal.**

### **COSTS OF THE SCHEME**

Pursuant to Rule 2.3 of the Takeovers Code, if the Scheme is not approved and the Proposal is either not recommended by the Independent Board Committee or not recommended as fair and reasonable by the Independent Financial Adviser, all costs and expenses incurred by the Company and the Offeror in connection with the Proposal shall be borne by the Offeror. Given that the Proposal is recommended by the Independent Board Committee and is recommended as fair and reasonable by the Independent Financial Adviser, the Offeror and the Company have agreed that all costs, charges and expenses of the advisers and counsel appointed by the Company, including the Independent Financial Adviser, will be borne by the Company, whereas all costs, charges and expenses of the advisers and counsel appointed by Offeror will be borne by the Offeror, and other costs, charges and expenses of the Proposal will be shared between the Offeror and the Company equally.

### **REGISTRATION AND PAYMENT**

#### **Closure of the Register**

Assuming the Scheme Record Date falls on Friday, 15 December 2023, it is proposed that the register of members of the Company will be closed from Friday, 15 December 2023 onwards (or such other date as may be notified to the Scheme Shareholders by announcement) for purpose of determining entitlements of Scheme Shareholders under the Scheme. In order to qualify for entitlements under the Scheme, all transfer documents with relevant share certificates must be lodged with the Share Registrar before the latest time for lodging transfer of Shares documents to qualify for entitlements under the Scheme, being 4:30 p.m. on Thursday, 14 December 2023 at the registered office of the Share Registrar in Hong Kong, Link Market Services (Hong Kong) Pty Limited, at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong.

#### **Payment of the Scheme Consideration to the Scheme Shareholders**

Upon the Scheme becoming effective, cheques in respect of the Scheme Consideration will be despatched to the Scheme Shareholders whose names appear on the register of members of the Company as at the Scheme Record Date as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) following the Effective Date. On the basis that the Scheme becomes effective on Friday, 15 December 2023 (Cayman Islands time), cheques for payment of the Scheme Consideration are expected to be despatched on or before Thursday, 28 December 2023.

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## PART IV EXPLANATORY MEMORANDUM

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All such cheques will be sent by ordinary post addressed to such Scheme Shareholders at their respective registered addresses as appearing in the register of members of the Company as at the Scheme Record Date, or in the case of joint holders, at the address appearing in the register of members of the Company as at the Scheme Record Date of the joint holder whose name then stands first in the register of members of the Company in respect of the relevant joint holding. All such cheques will be sent at the risk of the person(s) entitled thereto and none of the Offeror, the Company, Yu Ming, the Independent Financial Adviser, the Share Registrar or any other person involved in the Proposal will be responsible for any loss or delay in despatch.

Shareholders are recommended to consult their professional advisers if they are in doubt as to the above procedures. On or after the day being six calendar months after the posting of such cheques, the Offeror shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in the name of the Offeror with a licensed bank in Hong Kong selected by the Offeror.

The Offeror shall hold such monies until the expiry of six years from the Effective Date and shall prior to such date, make payments therefrom of the sums to persons who satisfy the Offeror that they are respectively entitled thereto. Any payments made by the Offeror shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to the Scheme. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies. On the expiry of six years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under the Scheme.

Assuming that the Scheme becomes effective, the register of members of the Company will be updated accordingly to reflect the cancellation and extinguishment of all the Scheme Shares and all existing certificates representing the Scheme Shares will cease to have effect as documents or evidence of title as from the Effective Date, which is expected to be on or about Friday, 15 December 2023 (Cayman Islands time).

Settlement of the Scheme Consideration to which the Scheme Shareholders are entitled under the Scheme will be implemented in full in accordance with the terms of the Scheme, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against any such Scheme Shareholder.

### SECTION 86 OF THE COMPANIES ACT

Pursuant to section 86(1) of the Companies Act, where an arrangement is proposed between a company and its members or any class of them, the Grand Court may, on the application of the company or any member of the company, order a meeting of the members of the company or class of members, as the case may be, to be summoned in such manner as the Grand Court directs.

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## PART IV EXPLANATORY MEMORANDUM

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Section 86(2A) of the Companies Act further provides that if 75% in value of the members or class of members, as the case may be, present and voting either in person or by proxy at the meeting convened as directed by the Grand Court as aforesaid, agree to any arrangement, the arrangement shall, if sanctioned by the Grand Court, be binding on all members or class of members, as the case may be, and also on the company.

### **ADDITIONAL REQUIREMENTS AS IMPOSED BY RULE 2.10 OF THE TAKEOVERS CODE**

In addition to satisfying any requirements imposed by the Companies Act as summarised above, Rule 2.10 of the Takeovers Code requires that the Scheme may only be implemented if:

- (a) the Scheme is approved by the Disinterested Scheme Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by the Disinterested Scheme Shareholders that are voted either in person or by proxy at a duly convened meeting of the Shareholders; and
- (b) the number of votes cast by the Disinterested Scheme Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the such meeting is not more than 10% of the votes attaching to all Scheme Shares held by all the Disinterested Scheme Shareholders.

As at the Latest Practicable Date, the Disinterested Scheme Shareholders held in aggregate 133,221,075 Scheme Shares. On that basis, 10% of the votes attached to Scheme Shares held by all the Disinterested Scheme Shareholders referred to in paragraph (b) above would therefore represent approximately 13,322,108 Scheme Shares as at the Latest Practicable Date.

### **COURT MEETING AND GENERAL MEETING**

The Grand Court has directed the Court Meeting to be convened for the purpose of considering and, if thought fit, approving (with or without modification) the Scheme.

All Scheme Shareholders whose names appear in the register of members of Company as at the Meeting Record Date will be entitled to attend and vote at the Court Meeting, provided that only the votes of the Disinterested Scheme Shareholders will be taken into account in determining if the Condition under sub-paragraph (a)(i) and (a)(ii) in the paragraph headed “Conditions of the Proposal” above is satisfied. As at the Latest Practicable Date, the Offeror and the Offeror Concert Parties are interested in 286,107,359 Shares, representing approximately 68.23% of the total issued Shares. Within the Offeror Concert Parties, the Offeror Concert Party Subject to the Scheme beneficially owns 23,035 Shares, representing approximately 0.01% of the total issued Shares whereas the Offeror and Offeror Concert Party Not Subject to the Scheme beneficially owns 286,084,324 Shares, representing approximately 68.22% of the total issued Shares.

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## PART IV EXPLANATORY MEMORANDUM

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Each of the Offeror and Offeror Concert Parties will procure that any Shares in respect of which they are legally and/or beneficially interested in will not be represented nor voted at the Court Meeting. The Offeror and each of the Offeror Concert Parties will undertake to the Grand Court to be bound by the terms of the Scheme and to execute and do and procure to be executed and done all such documents and things as may be necessary or desirable to be executed or done by each of them for the purposes of giving effect to the Scheme.

As soon as practicable after the conclusion or adjournment of the Court Meeting, the General Meeting will be held for the purpose of considering and, if thought fit, approve the special resolution to approve and give effect to, among other things, (i) any reduction of the issued share capital of the Company associated with the cancellation and extinguishment of the Scheme Shares and (ii) the simultaneous maintenance of the issued share capital of the Company at the amount immediately prior to the cancellation and extinguishment of the Scheme Shares by allotting and issuing to the Offeror the same number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished and applying the credit created as a result of the cancellation and extinguishment of the Scheme Shares to pay up in full such new Shares to be allotted and issued to the Offeror.

All Shareholders whose names appear in the register of members of the Company as at the Meeting Record Date will be entitled to attend and vote on the above special resolution to be proposed at the General Meeting.

The Offeror and the Offeror Concert Parties have indicated that they will vote in favour of such resolution(s) to be proposed at the General Meeting.

Voting at the Court Meeting and at the General Meeting will be taken by poll as required under the Listing Rules and the Takeovers Code.

An announcement will be jointly made by the Offeror and the Company in relation to the results of the Court Meeting and the General Meeting. Such announcement will contain the information as required by Rule 19.1 of the Takeovers Code. Information on the number of votes cast for and the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast will be included in such announcement.

Notices of the Court Meeting and the General Meeting are set out in Appendix IV and Appendix V to this Scheme Document, respectively.

### **ACTIONS TO BE TAKEN**

Your attention is drawn to the section headed “Actions to be taken” in pages 9-12 of this Scheme Document.

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## PART IV EXPLANATORY MEMORANDUM

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### EXERCISE YOUR RIGHT TO VOTE

If you are a Shareholder or a Beneficial Owner, you are strongly encouraged to exercise your right to vote or to give instructions to the relevant Registered Owner to vote in person or by proxy at the Court Meeting and/or the General Meeting. If you keep any Shares in a share lending programme, you are encouraged to recall any outstanding Shares on loan to avoid market participants using borrowed stock to vote.

If you are a Beneficial Owner whose Shares are deposited in CCASS, you are strongly urged to provide HKSCC Nominees with instructions or make arrangements with HKSCC Nominees in relation to the manner in which those Shares should be voted at the Court Meeting and/or at the General Meeting without delay and/or withdrawn from CCASS and transferred into your name.

If you are a Registered Owner holding shares on behalf of Beneficial Owner(s), you should inform the relevant Beneficial Owner(s) about the importance of exercising their right to vote.

If you are in any doubt as to the action to be taken, you are encouraged to consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

### PETITION HEARING AT THE GRAND COURT

Any Scheme Shareholders who voted at the Court Meeting (including any Beneficial Owners who gave voting instructions to a custodian or clearing house who subsequently voted at the Court Meeting) should note that they are entitled to attend or appear by counsel, and be heard on the hearing of the petition at the Grand Court of the Cayman Islands which is expected to be at 10:00 a.m. on 14 December 2023 (Cayman Islands time), at which the Company will seek, among other things, the sanction of the Scheme.

### FURTHER INFORMATION

Further information is set out in the appendices to, and elsewhere in, this Scheme Document, all of which form part of this Explanatory Memorandum.

You should rely only on the information contained in this Scheme Document in order to vote your Shares at the Court Meeting and/or the General Meeting. None of the Offeror, the Company, Yu Ming, the Independent Financial Adviser, any of their respective directors, officers, employees, agents, affiliates or advisers or any other persons involved in the Proposal has authorised anyone to provide you with information that is different from what is contained in this Scheme Document.

### LANGUAGE

In case of any inconsistency, the English language text of this Scheme Document and the accompanying forms of proxy shall prevail over the Chinese language text.



## FINANCIAL SUMMARY

Set out below is the financial information of the Group for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, and as at 31 December 2020, 2021 and 2022 and 30 June 2023, as extracted from the annual reports of the Company for the years ended 31 December 2020, 2021 and 2022 and the interim report for the six months ended 30 June 2023.

	For the year ended 31 December			For the six months ended
	2020	2021	2022	30 June
	US\$ '000 (audited)	US\$ '000 (audited)	US\$ '000 (audited)	US\$ '000 (unaudited)
Revenue	54,386	54,180	65,558	31,386
Cost of sales	<u>(19,207)</u>	<u>(19,771)</u>	<u>(21,263)</u>	<u>(10,846)</u>
Gross profit	35,179	34,409	44,295	20,540
Other income	1,505 <i>Note 1</i>	722	1,193	931
Selling and distribution expenses	(15,668)	(17,366)	(19,458)	(9,159)
Administrative expenses	(9,228) <i>Note 2</i>	(9,538) <i>Note 2</i>	(9,630)	(3,672)
Research and development costs	(2,225) <i>Note 2</i>	(2,686) <i>Note 2</i>	(2,132)	(1,050)
Loss allowance (recognised)/reversed on financial assets	<u>(787)</u>	<u>17</u>	<u>(110)</u>	<u>(54)</u>
Profit from operations	8,776	5,558	14,158	7,536
Other non-operating income and expenses, net	80,513	(4,618)	(1,250)	(87)
Fair value gain on other financial liabilities	–	47	–	–
Finance income	4,076 <i>Note 1, 2</i>	3,938	875	584
Finance costs	(2,051)	(1,532)	(2,968)	(788)
Share of post-tax result of associates	<u>88</u>	<u>(989)</u>	<u>(900)</u>	<u>(509)</u>
Profit before income tax	91,402	2,404	9,915	6,736
Income tax expense	<u>(3,197)</u>	<u>(1,501)</u>	<u>(1,318)</u>	<u>(1,124)</u>
Profit for the year/period	<u><u>88,205</u></u>	<u><u>903</u></u>	<u><u>8,597</u></u>	<u><u>5,612</u></u>
Other comprehensive income				
<i>Item may be reclassified subsequently to profit or loss:</i>				
– Exchange differences arising on translation of foreign operations	5,765	788	(7,234)	(3,480)
Exchange difference reclassified to profit or loss upon disposal of subsidiaries	–	143	–	–
Exchange differences reclassified to profit or loss upon deemed disposal of an associate	<u>1,937</u>	<u>–</u>	<u>–</u>	<u>–</u>

	For the year ended 31 December			For the six months ended
	2020	2021	2022	30 June
	US\$'000 (audited)	US\$'000 (audited)	US\$'000 (audited)	2023 US\$'000 (unaudited)
Other comprehensive income for the year/period, net of tax	7,702	931	(7,234)	(3,480)
Total comprehensive income for the year/period	<u>95,907</u>	<u>1,834</u>	<u>1,363</u>	<u>2,132</u>
Profit for the period attributable to owners of the Company	<u>88,205</u>	<u>903</u>	<u>8,597</u>	<u>5,612</u>
Total comprehensive income attributable to owners of the Company	<u>95,907</u>	<u>1,834</u>	<u>1,363</u>	<u>2,132</u>
Earnings per share				
– Basic and diluted (US cents)	<u>22.21</u>	<u>0.23</u>	<u>2.12</u>	<u>1.33</u>
Dividend recognised as distribution during the year	–	76,865	–	2,598
		Special dividends		2022 Interim dividend (in scrip form without cash option)
Dividend per share (US cents)	–	20	–	0.64

*Notes:*

- In the Company's annual report 2020, bank interest income of approximately US\$558,000 was included under other income amounted to approximately US\$2,063,000. Bank interest income was presented under finance income to conform to the year of 2021's presentation.
- In the Company's annual report 2020, research and development costs of approximately US\$2,225,000 and net exchange gain derived from cash and cash equivalents of approximately US\$3,518,000 were included under administrative expenses amounted to approximately US\$7,935,000. Research and development costs were presented as a separate line item on the consolidated statements of profit or loss and other comprehensive income to conform to the year of 2022's presentation. Net exchange gain was presented under finance income to conform to the year of 2021's presentation

In the Company's annual report 2021, research and development costs of approximately US\$2,686,000 were included under administrative expenses amounted to approximately US\$12,224,000. Research and development costs were presented as a separate line item on the consolidated statements of profit or loss and other comprehensive income to conform to the year of 2022's presentation.

The auditor's reports issued by the auditor of the Company, BDO Limited, in respect of the audited consolidated financial statements of the Group for each of the three years ended 31 December 2020, 2021 and 2022 did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

There was no item which was exceptional because of its size, nature or incidence that was recorded in the audited consolidated financial statements of the Group for each of the financial years ended 31 December 2020, 2021 and 2022, and unaudited consolidated financial statements of the Group for the six months ended 30 June 2023.

### **CONSOLIDATED FINANCIAL STATEMENTS**

The audited consolidated financial statements for the year ended 31 December 2020 together with the notes to the relevant published financial statements are set out on pages 92 to 201 of the annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”) published on 29 April 2021. The 2020 Annual Report is posted on the Company's website at [www.lansen.com.cn](http://www.lansen.com.cn) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). Please also see below a direct link to the 2020 Annual Report:

*<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0429/2021042900415.pdf>*

The audited consolidated financial statements for the year ended 31 December 2021 together with the notes to the relevant published financial statements are set out on pages 107 to 213 of the annual report of the Company for the year ended 31 December 2021 (the “**2021 Annual Report**”) published on 13 April 2022. The 2021 Annual Report is posted on the Company's website at [www.lansen.com.cn](http://www.lansen.com.cn) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). Please also see below a direct link to the 2021 Annual Report:

*<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0413/2022041300644.pdf>*

The audited consolidated financial statements for the year ended 31 December 2022 together with the notes to the relevant published financial statements are set out on pages 123 to 221 of the annual report of the Company for the year ended 31 December 2022 (the “**2022 Annual Report**”) published on 20 April 2023. The 2022 Annual Report is posted on the Company's website at [www.lansen.com.cn](http://www.lansen.com.cn) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). Please also see below a direct link to the 2022 Annual Report:

*<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0420/2023042000603.pdf>*

The unaudited consolidated financial statements for the six months ended 30 June 2023 together with the notes to the relevant published financial statements are set out on pages 25 to 56 of the interim report of the Company for the six months ended 30 June 2023 (the “**2023 Interim Report**”) published on 13 September 2023. The 2023 Interim Report is posted on the Company's website at [www.lansen.com.cn](http://www.lansen.com.cn) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). Please also see below a direct link to the 2023 Interim Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0913/2023091300696.pdf>

The financial statements for the years ended 31 December 2020, 2021 and 2022 and the unaudited financial statements for the six months ended 30 June 2023 (but not any other part of the 2020 Annual Report, 2021 Annual Report, 2022 Annual report and 2023 Interim Report) are incorporated by reference into this Scheme Document and form part of this Scheme Document.

## **STATEMENT OF INDEBTEDNESS**

### **(a) Borrowings**

At the close of business on 31 August 2023, being the latest practicable date for ascertaining the information prior to the printing of this circular, the Group had aggregate bank borrowings of approximately US\$14,900,000 (equivalent to approximately HK\$116,816,000) which were unsecured bank borrowings and guaranteed by the Company, subsidiaries of the Company or a fellow subsidiary of the Group.

### **(b) Banking facilities**

At the close of business on 31 August 2023, being the latest practicable date for ascertaining the information prior to the printing of this circular, the Group had unutilised banking facilities of approximately US\$35,336,000 (equivalent to approximately HK\$277,034,000) which were unsecured bank facilities and guaranteed by the Company or subsidiaries of the Company or a fellow subsidiary of the Group. Banking facilities were subject to the fulfilment of covenants relating to certain financial position ratios of the Group. The Group continues to meet these requirements and none of the covenants relating to drawn down facilities had been breached.

### **(c) Pledge of assets**

At 31 August 2023, being the latest practicable date for ascertaining the information prior to the printing of this circular, certain bank deposits with carrying amount of approximately US\$12,526,000 (equivalent to approximately HK\$98,204,000) and certain bills receivables with carrying amount of approximately US\$6,070,000 (equivalent to approximately HK\$47,589,000) were pledged to secure bills payables of the Group and bank borrowings of a fellow subsidiary.

### **(d) Restricted bank deposits**

At 31 August 2023, being the latest practicable date for ascertaining the information prior to the printing of this circular, the Group had restricted bank deposits with carrying amount of approximately US\$15,461,000 (equivalent to approximately HK\$121,214,000), which were the cash deposits received from CIH placed in designated bank accounts as security under a counter-guarantee provided by CIH to the Group pursuant to a cross guarantee agreement.

**(e) Financial guarantee issued**

The Group has issued a guarantee to a bank in respect of borrowings made by Jilin Haizi Bio-Engineering Technology Company Limited (“**Jilin Haizi**”), a fellow subsidiary of the Group. Under the guarantee, the Group is liable for a maximum of RMB100,000,000 (equivalent to approximately HK\$109,200,000) borrowings drawn by Jilin Haizi from the bank. The maximum liability of the Group at 31 August 2023 under the guarantee issued represents the amount drawn down by Jilin Haizi of RMB100,000,000 (equivalent to approximately HK\$109,200,000).

**(f) Lease liabilities**

At 31 August 2023, being the latest practicable date for ascertaining the information prior to the printing of this circular, the Group had outstanding lease liabilities with carrying amount of approximately US\$118,000 (equivalent to approximately HK\$925,000), among which approximately US\$57,000 (equivalent to approximately HK\$447,000) were secured by rental deposits and unguaranteed, while the remaining amounted to approximately US\$61,000 (equivalent to approximately HK\$478,000) were unsecured and unguaranteed.

Save as aforesaid above and apart from intra-group liabilities and normal trade payables in the ordinary course of business, the Group did not have at the close of business on 31 August 2023, being the latest practicable date for ascertaining the information prior to the printing of this circular, any debt securities authorised or created but unissued, issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

**MATERIAL CHANGES**

The Directors confirm that there had been no material change in the financial or trading position or outlook of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

**RESPONSIBILITY STATEMENTS**

The Board comprises Mr. Chen Li being the executive managing Director, Mr. Wu Zhen Tao and Ms. Liu Xuezi being the non-executive Directors, and Mr. Chan Kee Huen, Michael, Mr. Yeung Tak Bun, Allen, Ms. Chan Ching Har, Eliza and Dr. Zhu Xun being the independent non-executive Directors.

The issue of this Scheme Document has been approved by the Directors, who jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than opinions expressed by the directors of the Offeror and Mr. Wu Zhen Tao in their capacity as such) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than the opinions expressed by the directors of the Offeror in his capacity as the directors of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

The directors of the Offeror are Mr. Siu Ka Chi Eric and Mr. Patrick Sung. The ultimate beneficial owner of the Offeror is First Lucky Star Trust, the settlor of which is Mr. Wu Zhen Tao, and the beneficiaries include Mr. Wu Zhen Tao and his family members.

The directors of the Offeror and Mr. Wu Zhen Tao jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than opinions expressed by the Directors in their capacity as such) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this Scheme Document misleading.

**SHARE CAPITAL OF THE COMPANY**

As at the Latest Practicable Date:

- (a) the authorised share capital of the Company is US\$200,000,000 divided into 20,000,000,000 Shares with a nominal value of US\$0.01 each;
- (b) the issued share capital of the Company is US\$4,193,284.34 divided into 419,328,434 Shares with a nominal value of US\$0.01 each;
- (c) Save for the 14,506,434 Interim Dividend Shares issued on 28 April 2023 pursuant to the Share Dividend Scheme in relation to the Interim Dividend, no Shares had been issued since 31 December 2022, being the end of the last financial year of the Company, up to the Latest Practicable Date;
- (d) there were no other outstanding options, warrants, derivatives, convertible securities or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company that carry a right to subscribe for or which are convertible into the Shares; and

- (e) all of the issued Shares ranked *pari passu* in all respects with each other, including all rights as to dividends, voting and capital.

### MARKET PRICES OF THE SHARES

The table below sets out the closing price of the Shares as quoted on the Stock Exchange (i) at the last Business Day of each of the calendar months during the Relevant Period; (ii) on the Last Trading Day; and (iii) on the Latest Practicable Date:

Date	Closing Price per Share (HK\$)
25 October 2023, being the Latest Practicable Date	1.670
7 September 2023, being the Last Trading Date	1.420
At the end of each calendar month during the Relevant Period:	
31 March 2023	1.506
28 April 2023	1.370
31 May 2023	1.290
30 June 2023	1.600
31 July 2023	1.550
31 August 2023	1.480
29 September 2023	1.680

During the Relevant Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were, respectively, HK\$1.72 per Share on 14 July 2023, and HK\$1.24 per Share on 2 June 2023.

The Scheme Consideration of HK\$1.80 per Scheme Share represents:

- (i) a premium of approximately 26.76% over the closing price of HK\$1.42 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (ii) a premium of approximately 24.14% over the average closing price of approximately HK\$1.45 per Share as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Date;
- (iii) a premium of approximately 22.45% over the average closing price of approximately HK\$1.47 per Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Date;
- (iv) a premium of approximately 20.00% over the average closing price of approximately HK\$1.50 per Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Date;

- (v) a premium of approximately 20.81% over the average closing price of approximately HK\$1.49 per Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Date;
- (vi) a premium of approximately 23.29% over the average closing price of approximately HK\$1.46 per Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Date;
- (vii) a discount of approximately 21.05% to the Audited NAV per Share of approximately HK\$2.28 as at 31 December 2022; and a premium of approximately 2.27% over the Audited NTA per Share of approximately HK\$1.76 as at 31 December 2022;
- (viii) a discount of approximately 22.08% to the Unaudited NAV per Share of approximately HK\$2.31 as at 30 June 2023; and a premium of approximately 0.56% over the Unaudited NTA per Share of approximately HK\$1.79 as at 30 June 2023; and
- (ix) a premium of approximately 7.78% over the closing price of HK\$1.67 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

#### DISCLOSURE OF INTERESTS, DEALINGS AND OTHER ARRANGEMENTS

##### **Directors' interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations**

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, (the “**Model Code**”), or required to be disclosed under the Takeovers Code were as follows:



*Long positions in the Shares of the Company*

Name of Director	Capacity	Nature of interest	Number of issued ordinary shares held	Total	Percentage of the issued share capital of the Company
Mr. Wu Zhen Tao	Founder of discretionary trusts and beneficiary of a trust	Other interest	217,281,593 <sup>(a)</sup> (Long position)	286,084,324 (Long position)	68.22%
	Interest of a controlled Corporation	Corporate interest	68,802,731 <sup>(a)</sup> (Long position)		
Dr. Zhu Xun	Beneficial owner	Personal interest	140,836 (Long position)	140,836 (Long position)	0.03%

*Note:* The interests in 217,281,593 issued ordinary shares of the Company are held through companies wholly owned by CIH and 68,802,731 issued ordinary shares of the Company are owned by Cosmos Skyland Limited, in which Mr. Wu Zhen Tao indirectly holds 100% shareholding interests.

Save for those disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had or was deemed to have any interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, or required to be disclosed under the Takeovers Code.

Mr. Wu Zhen Tao, being a Director and an Offeror Concert Party, and the Offeror Concert Parties will abstain from voting on the Scheme at the Court Meeting. The Offeror and each of the Offeror Concert Parties will undertake to the Grand Court to be bound by the terms of the Scheme and to execute and do and procure to be executed and done all such documents and things as may be necessary or desirable to be executed or done by each of them for the purposes of giving effect to the Scheme.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had any interests in any Shares, convertible securities, warrants, options or derivatives of the Company.

As at the Latest Practicable Date, save as disclosed above, none of the Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares in the Company which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO.

**Substantial shareholders' interests and short positions in the Shares and underlying Shares**

As at the Latest Practicable Date, Shareholders (other than the Directors or the chief executives of the Company) who had interests and short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of Shareholder	Note	Capacity	Number of issued ordinary shares held	Total	Percentage of the issued share capital of the Company
Cathay International Pharma Manufacture and Distribution (China) Limited ("CI Pharma China")	1	Beneficial interest	217,281,593 (Long position)	217,281,593 (Long position)	51.81%
Cathay International Changchun Biotechnology and Pharmaceutical (China) Limited ("CIC")	1	Interest of a controlled Corporation	217,281,593 (Long position)	217,281,593 (Long position)	51.81%
Cathay International Biotechnology & Pharmaceutical (China) Limited ("CI Biotech & Pharma China")	1	Interest of a controlled corporation	217,281,593 (Long position)	217,281,593 (Long position)	51.81%
Cathay International Pharmaceutical Limited ("CIP")	1	Interest of a controlled corporation	217,281,593 (Long position)	217,281,593 (Long position)	51.81%
Cathay International Biotech Company Limited ("CIB")	1	Interest of a controlled corporation	217,281,593 (Long position)	217,281,593 (Long position)	51.81%
CIH	1	Interest of a controlled corporation	217,281,593 (Long position)	217,281,593 (Long position)	51.81%
Circle Finance Limited ("CFL")	1	Interest of a controlled corporation	217,281,593 (Long position)	217,281,593 (Long position)	51.81%

**APPENDIX II**
**GENERAL INFORMATION**

<b>Name of Shareholder</b>	<b>Note</b>	<b>Capacity</b>	<b>Number of issued ordinary shares held</b>	<b>Total</b>	<b>Percentage of the issued share capital of the Company</b>
Mega Worldwide Services Limited (“MWS”)	1	Interest of a controlled corporation	217,281,593 (Long position)	217,281,593 (Long position)	51.81%
Cathay International Enterprises Limited (“CIE”)	1	Interest of a controlled corporation	217,281,593 (Long position)	217,281,593 (Long position)	51.81%
Cathay International EW No. 43 Limited (“CIEW”)	1	Interest of a controlled corporation	217,281,593 (Long position)	217,281,593 (Long position)	51.81%
BJ Company Offshore Limited (“BJ”)	1	Interest of a controlled corporation	217,281,593 (Long position)	217,281,593 (Long position)	51.81%
B and J Co Limited (“B and J”)	1	Interest of a controlled corporation	217,281,593 (Long position)	217,281,593 (Long position)	51.81%
Zedra Trust Company (Jersey) Limited (“Zedra Trust”)	1, 2	Interest of a controlled corporation	217,281,593 (Long position)	217,281,593 (Long position)	51.81%
Zedra Nominees (Jersey) Limited (“Zedra Nominees”)	1, 2	Interest of a controlled corporation	217,281,593 (Long position)	217,281,593 (Long position)	51.81%
Zedra Trustee Company (Cayman) Limited (“Zedra Trustee”)	2	Trustee	217,281,593 (Long position)	217,281,593 (Long position)	51.81%
Cosmos Skyland Limited (“CSL”)	3	Beneficial interest	68,802,731 (Long position)	68,802,731 (Long position)	16.41%
Mr. Wu Zhen Tao	2, 3	Founder of discretionary trusts and beneficiary of a trust	217,281,593 (Long position)	286,084,324 (Long position)	68.22%
		Interest of a controlled corporation	68,802,731 (Long position)		

*Notes:*

- (1) These Shares are held by CI Pharma China. CI Pharma China is owned as to 18% by CIC and 82% by CI Biotech & Pharma China. CIC is in turn owned as to 100% by CI Biotech & Pharma China. CI Biotech & Pharma China is in turn wholly owned by CIP. CIP is wholly owned by CIB, which in turn is wholly owned by CIH. CIH is held as to 65.53% by CFL, and as to 34.47% by MWS respectively. Each of CFL and MWS are in turn held as to 100% by CIE. CIE is owned as to 100% by CIEW, which is in turn owned as to 100% by BJ. BJ is owned as to 100% by B and J, which is in turn owned as to 66.67% by Zedra Trust and 33.33% by Zedra Nominees. Therefore, CIC, CI Biotech & Pharma China, CIP, CIB, CIH, CFL, MWS, CIE, CIEW, BJ, B and J, Zedra Trust and Zedra Nominees are deemed to be interested in the Shares held by CI Pharma China.
- (2) Zedra Trust and Zedra Nominees hold the shares in B and J as nominees for Zedra Trustee, acting as trustee of the First Lucky Star Trust (“**Wu Family Trust**”). The Wu Family Trust’s settlor is Mr. Wu Zhen Tao, and the beneficiaries includes Mr. Wu Zhen Tao and members of his family. Mr. Wu Zhen Tao as the founder and a beneficiary of the Wu Family Trust is therefore deemed to be interested in the Shares deemed to be interested by each of Zedra Trust and Zedra Nominees.
- (3) CSL is 100% held by Mr. Wu Zhen Tao.

Save as disclosed above, as at the Latest Practicable Date, there was no person (other than the interests disclosed above in respect of the Directors or the chief executive of the Company) who (a) had interests and short positions in the Shares, underlying Shares and debentures of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO; or (b) were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying the right to vote in all circumstances at general meetings of the Company or any options in respect of such capital.

**Interests and long positions of the Offeror and the Offeror Concert Parties in the Shares**

	<b>As at the Latest Practicable Date</b>	
	<i>No. of Shares</i>	<i>Approximate% of the total issued share capital of the Company</i>
<b>A. Offeror</b> <sup>Note 1</sup>	217,281,593	51.81%
<b>B. Offeror Concert Party Not Subject to the Scheme</b>		
Cosmos Skyland Limited <sup>Note 2</sup>	68,802,731	16.41%
<b>C. Offeror Concert Party Subject to the Scheme</b>		
Mr. Patrick Sung <sup>Note 3</sup>	23,035	0.01%
<b>Sub-total (A+B+C):</b>	286,107,359	68.23%

*Notes:*

1. The Offeror is a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by First Lucky Star Trust, the settlor of which is Mr. Wu Zhen Tao, and beneficiaries includes Mr. Wu Zhen Tao and his family members. Upon the Scheme becoming effective, the share capital of the Company will be maintained at its former amount by the allotment and issuance to the Offeror of the same number of the Shares as the number of Scheme Shares cancelled and extinguished, and the credit arising in the Company's books of account as a result of the cancellation of the Scheme Shares will be applied in paying up in full at par the new Shares so allotted and issued to the Offeror.
2. Cosmos Skyland Limited is a company incorporated in the British Virgin Islands with limited liability and is directly wholly owned by Mr. Wu Zhen Tao.
3. Mr. Patrick Sung is a director of the Offeror.

Save as disclosed above and disclosed in the section headed "Shareholding Structure of the Company" in the Explanatory Memorandum set out in Part IV of this Scheme Document, as at the Latest Practicable Date, none of the Offeror, its directors and the Offeror Concert Parties, owned or controlled any Shares or any options, warrants, derivatives or securities convertible into Shares.

**Interests and dealings in the securities of the Company**

During the Relevant Period:

- (a) save as disclosed below, none of the Offeror, its directors or the Offeror Concert Parties had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares:
  - (1) the table below shows the dealings for value by Mr. Patrick Sung, a director of the Offeror, during the Relevant Period:

Date of transaction	Number of Shares involved		Price paid for each Share (HK\$)			
	Buy	Sell	Highest	Lowest	Highest	Lowest
			Buy Price	Buy Price	Sell Price	Sell Price
7 August 2023	6,000	6,000	1.48	1.48	1.50	1.50
31 July 2023	2,000	–	1.54	1.54	–	–
6 June 2023	20,000	–	1.29	1.29	–	–

- (2) the tables below shows the dealings for value by the spouse of Mr. Patrick Sung during the Relevant Period. A full list of all dealings by the spouse of Mr. Patrick Sung on a non-aggregate basis will be made available for inspection in the manner as set out under the section headed “Document Available for Inspection” in this Appendix II.

Date of transaction	Number of Shares involved		Price paid for each Share (HK\$)			
	Buy	Sell	Highest	Lowest	Highest	Lowest
			Buy Price	Buy Price	Sell Price	Sell Price
<i>Aggregated on a daily basis (where applicable)</i>						
9 August 2023	–	8,000	–	–	1.48	1.46
4 August 2023	5,000	–	1.55	1.55	–	–
31 July 2023	3,000	–	1.52	1.52	–	–
<i>Aggregated on a weekly basis</i>						
10-14 July 2023	–	334,000	–	–	1.70	1.70
3-7 July 2023	334,000	–	1.66	1.61	–	–
26-30 June 2023	–	339,000	–	–	1.60	1.60
19-23 June 2023	1,000	152,000	1.54	1.54	1.61	1.60
12-16 June 2023	201,000	–	1.56	1.46	–	–
5-9 June 2023	298,000	9,000	1.47	1.24	1.35	1.35

- (b) none of the Directors had any dealings in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares.

During the Offer Period and up to the Latest Practicable Date:

- (a) no subsidiaries of the Company, pension funds (if any) of any members of the Group, any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” or any associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (excluding any exempt principal trader or exempt fund manager) had any dealings in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (b) no person who had irrevocably committed themselves to accept or reject the Proposal owned or controlled, and none of them had any dealings in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;

- (c) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with (i) the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” or with any person who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code, or (ii) the Offeror or the Offeror Concert Parties owned or controlled, and none of them had any dealings in, any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares; and
- (d) no fund managers connected with the Company who managed funds on discretionary basis (other than exempt fund managers) had any dealings in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares.

### Interest and dealings in the securities of the Offeror

As at the Latest Practicable Date:

- (a) save for Mr. Wu Zhen Tao who is a settlor of the First Lucky Star Trust, which in turn wholly owns the Offeror, and also a Director of the Company, none of the Company or any of the Directors had any interest in the shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of the shares of the Offeror.
- (b) none of the Company or any of the Directors had any dealings in the shares of the Offeror, or any convertible securities, warrants, option or derivatives in respect of the shares of the Offeror during the Relevant Period.

### Other interests

As at the Latest Practicable Date:

- (a) no Shares or convertible securities, warrants, options or derivatives in respect of the Shares were owned or controlled by a subsidiary of the Company, a pension fund (if any) of any member of the Group, a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert”, or an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (other than exempt principal traders and exempt fund managers);
- (b) no Shares, or convertible securities, warrants, options or derivatives in respect of the Shares were managed on a discretionary basis by any fund managers connected with the Company (other than exempt fund managers); and
- (c) none of the Company, the Directors, the Offeror or any of the Offeror Concert Parties had borrowed or lent any Shares, or any convertible securities, warrants, options or derivatives in respect of the Shares.

**Other arrangements in respect of the Proposal**

As at the Latest Practicable Date:

- (a) there was no arrangement (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the Shares or the shares of the Offeror or any of the Offeror Concert Parties, and there was no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code which existed between the Offeror, the Offeror Concert Parties or any other associate of the Offeror and any other person;
- (b) there was no agreement or arrangement to which the Offeror or any of the Offeror Concert Parties was a party which related to circumstances in which it might or might not invoke or seek to invoke a condition to the Proposal;
- (c) neither the Offeror nor any of the Offeror Concert Parties had received any irrevocable commitment to vote for or against the Proposal;
- (d) no benefit (other than statutory compensation) had been or would be given to any Directors as compensation for loss of office or otherwise in connection with the Proposal;
- (e) there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any of the Offeror Concert Parties on the one hand and any of the Directors, recent Directors, Shareholders or recent Shareholders on the other hand having any connection with or dependence upon the Proposal;
- (f) there was no agreement, arrangement or understanding between the Offeror and any other person in relation to the transfer, charge or pledge of the Shares to be acquired pursuant to the Proposal, and the Offeror had no intention to transfer, charge or pledge any Shares acquired pursuant to the Proposal to any other person;
- (g) save for the Scheme Consideration payable under the Scheme, the Offeror or the Offeror Concert Parties had not paid and would not pay any other consideration, compensation or benefit in whatever form to the Scheme Shareholders or persons acting in concert with them in relation to the Scheme Shares;
- (h) there was no agreement, arrangement or understanding (including any compensation arrangement) existed between any of the Directors and any other person which was conditional on or was dependent upon the outcome of the Proposal or otherwise connected with the Proposal;
- (i) there was no material contract which had been entered into by the Offeror in which any Director had a material personal interest;



- (j) no person had any arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code;
- (k) there was no understanding, agreement, arrangement or special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror and any of the Offeror Concert Parties on one hand and the Scheme Shareholders and persons acting in concert with any of them on the other hand; and
- (l) there was no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (i) any Shareholders and (ii)(1) the Offeror and Offeror Concert Parties, or (ii)(2) the Company, its subsidiaries or associated companies.

### SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into a service contract with any member of the Group or the associated companies of the Company which were in force and which: (a) (including both continuous and fixed term contracts) had been entered into or amended within six months before the commencement of the Offer Period; (b) were continuous contracts with a notice period of 12 months or more; or (c) were fixed term contracts with more than 12 months to run irrespective of the notice period.

### MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance was pending or threatened by or against the Company or any other members of the Group.

### MATERIAL CONTRACTS

Save as set out below, there was no material contract entered into by the Company or any of its subsidiaries after the date which was two years before commencement of the Offer Period up to and including the Latest Practicable Date, other than contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries.

- (a) On 26 May 2022, CIH, which indirectly wholly owns the entire equity interest of the Offeror, Ningbo Liwah Pharmaceutical Company Limited (“**Ningbo Liwah**”), an indirect wholly-owned subsidiary of the Company, Jilin Haizi Bio-Engineering Technology Company Limited (“**Jilin Haizi**”), an indirect wholly-owned subsidiary of CIH, and Lansen Pharmaceutical Holdings Limited (“**Lansen BVI**”), a direct wholly-owned subsidiary of the Company, entered into a cross guarantee agreement to extend the cross guarantee arrangement (“**2022 Cross Guarantee Agreement**”),

pursuant to which Jilin Haizi and Lansen BVI may, provide or procure its subsidiaries to provide certain guarantees to banks in relation to the banking facilities of Ningbo Liwah, Jilin Haizi and Lansen BVI from 1 July 2022 to 30 June 2025 (the “**Effective Period**”). In addition, CIH has agreed to provide a counter guarantee (secured by the cash deposit and without any charges) under which CIH has agreed to indemnify Lansen BVI and its subsidiaries (collectively referred to as “**Lansen BVI Group**”) fully for all liabilities, losses, damages, expenses, costs and taxes (if any) as a result of any default in the repayment of the bank facilities obtained or to be obtained by Jilin Haizi during the Effective Period and Lansen BVI Group becomes responsible for such repayment.;

- (b) On 7 April 2022, the Company and the subscribers entered into the subscription agreements, pursuant to which the subscribers have conditionally agreed to subscribe and the Company has conditionally agreed to allot and issue a total of 49,520,000 placing shares at a subscription price of HK\$1.20 per placing share; and
- (c) On 15 December 2021, Lansen BVI entered into the shareholders’ loan agreement with Cathay International Biotechnology and Pharmaceutical (China) Limited (“**CI Biotechnology**”) and Natural Dailyhealth Holdings Limited (“**Natural Dailyhealth**”), pursuant to which each of Lansen BVI and CI Biotechnology agreed to provide a shareholder loan to Natural Dailyhealth in proportion to its respective shareholding in Natural Dailyhealth and in an aggregate principal amount up to US\$3,250,781 and US\$7,585,156 respectively.

## EXPERTS AND CONSENTS

The following are the qualifications of each of the experts who has given opinions or advices which are contained in this Scheme Document:

Name	Qualification
Yu Ming Investment Management Limited	a corporation licensed under the SFO, licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities
Altus Capital Limited	a corporation licensed under the SFO, licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities

As at the Latest Practicable Date, the above experts had given and had not withdrawn their respective written consent to the issue of this Scheme Document with the inclusion herein of their letters and opinions (as the case may be) and/or references to their respective name, opinions, reports and/or letters (as the case may be) in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the experts mentioned above has any shareholdings in the Company.

**MISCELLANEOUS**

- (a) The registered office of the Company is at Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands.
- (b) The principal place of business of the Company in Hong Kong is at Suites 1203-4, 12/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong.
- (c) The headquarters and principal place of business of the Company in the PRC is at 228 Xinfeng Road, Gaoqiao Industrial Park, Haishu District, Ningbo City, Zhejiang Province, PRC.
- (d) The principal share registrar and transfer office of the Company is Ocorian Trust (Cayman) Limited at Windward 3, Regatta Office Park P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands.
- (e) The Share Registrar is Link Market Services (Hong Kong) Pty Limited at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong.
- (f) The registered office of the Offeror is at Portcullis Chambers, 4th Floor, Ellen Skelton Building, 3706 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands VG1110. The Hong Kong correspondence address of the Offeror is at Suites 1203-4, 12/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong.
- (g) The principal members of the Offeror Concert Parties are (i) Mr. Wu Zhen Tao and his family members; (ii) the First Lucky Star Trust; and (iii) Cosmos Skyland Limited.
- (h) The directors of Cosmos Skyland Limited are Mr. Patrick Sung and Mr. Yiu Chi Hung.
- (i) Yu Ming is the financial adviser to the Offeror in relation to the Proposal, and its registered address is at Room 1801, Allied Kajima Building, 138 Gloucester Road, Wan Chai, Hong Kong.

In case of inconsistency, the English language text of this Scheme Document and the accompanying forms of proxy shall prevail over the Chinese language text.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection on the website of the Company at [www.lansen.com.cn](http://www.lansen.com.cn) and the website of the SFC at [www.sfc.hk](http://www.sfc.hk) during the period from the date of this Scheme Document until (a) the Effective Date; and (b) the date on which the Scheme lapses or is withdrawn, whichever is earlier:

- (a) the memorandum of association and articles of association of the Offeror;
- (b) the amended and restated memorandum and articles of association of the Company;
- (c) the annual reports of the Company for the years ended 31 December 2020, 2021 and 2022;
- (d) the interim report of the Company for the six months ended 30 June 2023;
- (e) the letter from the Board, the text of which is set out in Part I of this Scheme Document;
- (f) the letter from the Independent Board Committee, the text of which is set out in Part II of this Scheme Document;
- (g) the letter from the Independent Financial Adviser, the text of which is set out in Part III of this Scheme Document;
- (h) the written consents referred to in the section headed “Experts and consents” in this Appendix;
- (i) the material contracts referred to in the section headed “Material contracts” in this Appendix;
- (j) a full list of all dealings for value by the spouse of Mr. Patrick Sung as set out in the section headed “Interests and dealings in the securities of the Company” in this Appendix; and
- (k) this Scheme Document.

**IN THE GRAND COURT OF THE CAYMAN ISLANDS  
FINANCIAL SERVICES DIVISION**

**Cause No. 301 of 2023 (IKJ)**

**IN THE MATTER OF SECTION 86 OF THE COMPANIES ACT (2023 REVISION) (AS  
REVISED)**

**AND IN THE MATTER OF ORDER 102 OF THE GRAND COURT RULES 1995 (AS  
REVISED)**

**AND IN THE MATTER OF LANSEN PHARMACEUTICAL HOLDINGS LIMITED 朗生醫  
藥控股有限公司**

**SCHEME OF ARRANGEMENT**

**Between**

**LANSEN PHARMACEUTICAL HOLDINGS LIMITED**

**朗生醫藥控股有限公司**

**And**

**THE SCHEME SHAREHOLDERS**

**(AS DEFINED BELOW)**

(A) In this scheme of arrangement, unless inconsistent with the subject or context, the following expressions shall bear the following meanings:

“acting in concert”	has the meaning ascribed to it in the Takeovers Code, and “persons acting in concert” and “concert parties” shall be construed accordingly
“Board”	the board of Directors
“Companies Act”	the Companies Act (2023 Revision) (As Revised) of the Cayman Islands
“Company”	Lansen Pharmaceutical Holdings Limited 朗生醫藥控股有限公司, an exempted 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: 503)
“Condition(s)”	the condition(s) to the Proposal as set out in the section headed “Conditions of the Proposal” in Part IV – Explanatory Memorandum of the Scheme Document
“Court Meeting”	a meeting of the Scheme Shareholders convened at the direction of the Grand Court to be held at 10:00 a.m. on Monday, 27 November 2023 at The Executive Centre, Level 35, Two Pacific Place, No. 88 Queensway, Admiralty, Hong Kong, at which the Scheme (with or without modification) will be voted upon, or any adjournment thereof

“Director(s)”	the director(s) of the Company
“Effective Date”	the date on which the Scheme becomes effective in accordance with the Companies Act and the Conditions
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate thereof
“Explanatory Memorandum”	the explanatory memorandum set out in Part IV of the Scheme Document
“General Meeting”	an extraordinary general meeting of the Company to be held at 10:30 a.m. on Monday, 27 November 2023 (or, if later, as soon as practicable after the conclusion or adjournment of the Court Meeting) at The Executive Centre, Level 35, Two Pacific Place, No. 88 Queensway, Admiralty, Hong Kong, for the Shareholders to consider and if thought fit, approve all necessary resolution(s) for the implementation of the Proposal, or any adjournment thereof
“Grand Court”	the Grand Court of the Cayman Islands
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee of the Directors comprising Ms. Liu Xuezi, a non-executive Director and Mr. Chan Kee Huen, Michael, Mr. Yeung Tak Bun, Allen, Ms. Chan Ching Har, Eliza and Dr. Zhu Xun, each an independent non-executive Director
“Independent Financial Adviser”	Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee in relation to the Proposal and the Scheme
“Latest Practicable Date”	25 October 2023, being the latest practicable date for ascertaining certain information contained in the Scheme Document

“Long Stop Date”	30 April 2024, or such other date as may be agreed between the Offeror and the Company or, to the extent applicable, as the Grand Court may direct and in all cases, as permitted by the Executive
“Offeror”	Cathay International Pharma Manufacture and Distribution (China) Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly owned by First Lucky Star Trust whose settlor is Mr. Wu Zhen Tao
“Offeror Concert Parties”	persons acting, or presumed to be acting, in concert with the Offeror or Mr. Wu Zhen Tao (including but not limited to the Offeror Concert Party Not Subject to the Scheme and Offeror Concert Party Subject to the Scheme)
“Offeror Concert Party Not Subject to the Scheme”	Cosmos Skyland Limited, a company wholly-owned by Mr. Wu Zhen Tao and a party acting in concert with the Offeror but not subject to the Scheme
“Offeror Concert Party Subject to the Scheme”	Mr. Patrick Sung, being a party acting in concert with the Offeror and subject to the Scheme
“Proposal”	the proposal for the privatisation of the Company by the Offeror by way of the Scheme and the withdrawal of listing of the Shares from the Stock Exchange
“Scheme”	the scheme of arrangement under section 86 of the Companies Act for the implementation of the Proposal
“Scheme Consideration”	the scheme consideration of HK\$1.80 per Scheme Share cancelled and extinguished, payable in cash by the Offeror to the Scheme Shareholders pursuant to the Scheme
“Scheme Document”	the scheme document of the Offeror and the Company dated 28 October 2023 containing, among other things, further details of the Proposal and the Scheme
“Scheme Record Date”	15 December 2023 or such other date as shall have been announced to the Shareholders, being the record date for determining the entitlements of the Scheme Shareholders to the Scheme Consideration under the Scheme

“Scheme Share(s)”	the Share(s) in issue on the Scheme Record Date other than those held by the Offeror or the Offeror Concert Party Not Subject to the Scheme
“Scheme Shareholder(s)”	registered holder(s) of the Scheme Shares as at the Scheme Record Date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) with a nominal value of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	registered holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“US”	the United States of America
“US\$”	US dollars, the law currency of the US
“Yu Ming”	Yu Ming Investment Management Limited, a corporation licenced under the SFC and permitted to carry out types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO, being the financial adviser to the Offeror in respect of the Proposal

- (B) The Company was incorporated as an exempted company on 10 September 2009 with limited liability in the Cayman Islands.
- (C) As at the Latest Practicable Date, the authorised share capital of the Company was US\$200,000,000 divided into 20,000,000,000 Shares with a nominal value of US\$0.01 each. As at the Latest Practicable Date, the issued share capital of the Company was US\$4,193,284.34 divided into 419,328,434 Shares with a nominal value of US\$0.01 each. Since 7 May 2010, the issued shares of the Company have been listed and traded on the Main Board of the Stock Exchange.
- (D) The Offeror has proposed the privatisation of the Company by way of the Scheme.



(E) The primary purpose of the Scheme is to privatise the Company as a result of cancelling and extinguishing all of the Scheme Shares in consideration for the Scheme Consideration so that the Company will be owned by the Offeror and the Offeror Concert Party Not Subject to the Scheme as to 83.59% and 16.41% respectively. Simultaneously with the cancellation and extinguishment of the Scheme Shares, the share capital of the Company will be maintained by the allotment and issuance at par to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled. The reserve created in the Company's books of account as a result of the cancellation and extinguishment of the Scheme Shares will be applied in paying up in full at par the new Shares so allotted and issued to the Offeror.

(F) As at the Latest Practicable Date, the major shareholdings were as follows:

	<i>No. of Shares</i>	<i>Approximate % of the total issued share capital of the Company</i>
<b>A. Offeror</b> <sup>Note 1</sup>	217,281,593	51.81%
<b>B. Offeror Concert Party Not Subject to the Scheme</b>		
Cosmos Skyland Limited <sup>Note 2</sup>	68,802,731	16.41%
<b>C. Offeror Concert Party Subject to the Scheme</b>		
Mr. Patrick Sung <sup>Note 3</sup>	23,035	0.01%
<b>Sub-total(A+B+C):</b>	286,107,359	68.23%
<b>D. Disinterested Scheme Shareholders</b>		
Dr. Zhu Xun <sup>Note 4</sup>	140,836	0.03%
Public Shareholders	133,080,239	31.74%
<b>Sub-total:</b>	133,221,075	31.77%
<b>Total</b>	419,328,434	100.00%
<b>E. Scheme Shareholders (C+D)</b>	133,244,110	31.78%

*Notes:*

1. The Offeror is a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by First Lucky Star Trust, the settlor of which is Mr. Wu Zhen Tao, and the beneficiaries include Mr. Wu Zhen Tao and his family members.
2. Cosmos Skyland Limited is a company incorporated in the British Virgin Islands with limited liability and is directly wholly owned by Mr. Wu Zhen Tao.
3. Mr. Patrick Sung is a director of the Offeror.
4. Dr. Zhu Xun is an independent non-executive Director.

- (G) Each of the Offeror and the Offeror Concert Parties will procure that any Shares in respect of which they are legally and/or beneficially interested will not be represented nor voted at the Court Meeting.
- (H) The Offeror and each of the Offeror Concert Parties has agreed to undertake to the Grand Court to be bound by the terms of the Scheme and to execute and do and procure to be executed and done all such documents and things as may be necessary or desirable to be executed or done by each of them for the purposes of giving effect to the Scheme.

### **THE SCHEME**

#### **PART I**

#### **CANCELLATION AND EXTINGUISHMENT OF THE SCHEME SHARES**

1. On the Effective Date:
- (a) all the Scheme Shares shall be cancelled and extinguished and the Scheme Shareholders shall cease to have any rights with respect to the Scheme Shares except the right to receive the Scheme Consideration;
  - (b) simultaneously with the cancellation and extinguishment of the Scheme Shares, the issued share capital of the Company shall be maintained by the allotment and issuance to the Offeror, credited as fully paid, an aggregate number of Shares which is equal to the number of Scheme Shares cancelled; and
  - (c) the Company shall apply the reserve created in its books of account as a result of the cancellation of the Scheme Shares in paying up in full the new Shares allotted and issued to the Offeror.

#### **PART II**

#### **CONSIDERATION FOR CANCELLATION AND EXTINGUISHMENT OF THE SCHEME SHARES**

2. In consideration of the cancellation and extinguishment of the Scheme Shares, the Offeror shall pay or cause to be paid the Scheme Consideration to each Scheme Shareholder.

#### **PART III GENERAL**

3. (a) As soon as possible but in any event within seven business days (as defined in the Takeovers Code) following the Effective Date, the Offeror shall post or cause to be posted cheques to the Scheme Shareholders in respect of the sums payable to such Scheme Shareholders pursuant to paragraph 2 of the Scheme.

- (b) All such cheques shall be sent by ordinary post in postage pre-paid envelopes addressed to such Scheme Shareholders at their respective registered addresses as appearing in the register of members of the Company as at the Scheme Record Date, or in the case of joint holders, at the address appearing in the register of members of the Company as at the Scheme Record Date of the joint holder whose name then stands first in the register of members of the Company in respect of the relevant joint holding.
- (c) All cheques shall be made payable to the order of the person or persons to whom, in accordance with the provisions of paragraph 3(b) of the Scheme, the envelope containing the same is addressed and the encashment of any such cheque shall be a good discharge to the Offeror for the moneys represented thereby.
- (d) All such cheques shall be posted at the risk of the addressees and none of the Offeror, the Company, Yu Ming, the Independent Financial Adviser and the share registrar of the Company and their respective nominees, directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal shall be liable for any loss or delay in despatch.
- (e) On or after the day being six calendar months after the posting of the cheques pursuant to paragraph 3(b) of the Scheme, the Offeror shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in the name of the Offeror with a licensed bank in Hong Kong selected by the Offeror. The Offeror shall hold such monies until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to paragraph 2 of the Scheme to persons who satisfy the Offeror that they are respectively entitled thereto, provided that the cheques referred to in the foregoing sentence of which they are payees have not been cashed. Any payments made by the Offeror shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to the Scheme. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.

- (f) On the expiry of six years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under the Scheme and the Offeror shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit account referred to in paragraph 3(e) of the Scheme, including accrued interest subject to any deduction required by law and expenses incurred.
  - (g) Paragraph 3(f) shall take effect subject to any prohibition or condition imposed by law.
4. As from and including the Effective Date:
- (a) all certificates for the Scheme Shares shall cease to have effect as documents or evidence of title for such Scheme Shares and every holder thereof shall be bound, at the request of the Company, to deliver up such certificates to the Company or to any person appointed by the Company to receive the same for cancellation;
  - (b) all instruments of transfer validly subsisting as at the Scheme Record Date in respect of the transfer of any number of the Scheme Shares shall cease to be valid for all purposes as instruments of transfer; and
  - (c) all mandates or other instructions to the Company in force as at the Scheme Record Date in relation to any of the Scheme Shares shall cease to be valid as effective mandates or instructions.
5. Subject to the Conditions having been fulfilled or waived, as applicable, the Scheme shall become effective as soon as a copy of the order of the Grand Court sanctioning the Scheme under section 86 of the Companies Act has been delivered to the Registrar of Companies in the Cayman Islands for registration pursuant to section 86(3) of the Companies Act.
6. Unless the Scheme shall have become effective on or before the Long Stop Date, the Scheme shall lapse.
7. The Company and the Offeror may jointly consent for and on behalf of all parties concerned to any modification of or addition to the Scheme or to any condition which the Grand Court may see fit to approve or impose.
8. All costs, charges and expenses shall be borne and paid in the manner described in the Scheme Document.

**IN THE GRAND COURT OF THE CAYMAN ISLANDS  
FINANCIAL SERVICES DIVISION**

**Cause No. 301 of 2023 (IKJ)**

**IN THE MATTER OF SECTION 86 OF THE COMPANIES ACT (2023 REVISION) (AS  
REVISED)**

**AND IN THE MATTER OF ORDER 102 OF THE GRAND COURT RULES 1995 (AS  
REVISED)**

**AND IN THE MATTER OF LANSEN PHARMACEUTICAL HOLDINGS LIMITED  
朗生醫藥控股有限公司**

**NOTICE OF COURT MEETING**

**NOTICE IS HEREBY GIVEN** that, by an order (the “**Order**”) dated 24 October 2023 made in the above matter, the Grand Court of the Cayman Islands (the “**Grand Court**”) has directed a meeting (the “**Court Meeting**”) of the Scheme Shareholders (as defined in the Scheme mentioned below) to be convened and held for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement (the “**Scheme**”) proposed to be made between Lansen Pharmaceutical Holdings Limited 朗生醫藥控股有限公司 (the “**Company**”) and the Scheme Shareholders and that the Court Meeting will be held at 10:00 a.m. on Monday, 27 November 2023 (Hong Kong time) at The Executive Centre, Level 35, Two Pacific Place, No. 88 Queensway, Admiralty, Hong Kong at which all Scheme Shareholders are invited to attend.

A copy of the Scheme and a copy of the explanatory memorandum explaining the effect of the Scheme are incorporated in the scheme document dated 28 October 2023 (the “**Scheme Document**”), of which this notice forms part. A copy of the Scheme Document may also be obtained by the Scheme Shareholders from the Company’s branch share registrar in Hong Kong, Link Market Services (Hong Kong) Pty Limited, at Suite 1601, 16/F, Central Tower, 28 Queen’s Road Central, Hong Kong, during usual business hour.

Scheme Shareholders may vote in person at the Court Meeting or they may appoint another person (who must be an individual), whether a member of the Company or not, as their proxy to attend and vote in their stead. A **PINK** form of proxy for use at the Court Meeting is enclosed with the Scheme Document. The completion and return of the **PINK** form of proxy will not preclude a Scheme Shareholder from attending and voting in person at the Court Meeting, or any adjournment thereof, if he/she so wishes and in such event, the **PINK** form of proxy shall be revoked by operation of law.

In the case of joint registered holders of a Scheme Share (as defined in the Scheme), any one of such persons may vote at the Court Meeting, either personally or by proxy, in respect of such Scheme Share as if she/he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Scheme Share shall alone be entitled to vote in respect thereof. In the case of a Scheme Shareholder which is a corporation, the Scheme Shareholder may by resolution of its directors or other governing body or by power of attorney authorise such person as it thinks fit to act as its corporate representative at the Court Meeting and the person so authorised shall be entitled to exercise the same rights and powers on behalf of the corporation which she/he represents as that corporation could exercise if it were an individual Scheme Shareholder.

The **PINK** form of proxy for use at the Court Meeting, together with the power of attorney or other authority (if any) under which it is signed or a certified copy thereof, should be lodged at the Company's branch share registrar in Hong Kong, Link Market Services (Hong Kong) Pty Limited, at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong, as soon as possible, but in any event not less than 48 hours before the time appointed for holding the Court Meeting or any adjournment thereof. Alternatively, the **PINK** form of proxy may be handed to the chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion as to whether or not to accept it).

By the Order, the Grand Court has appointed any one of the independent non-executive directors of the Company, or failing whom, any other person who is an officer of the Company as at the date of the Court Meeting, to act as chairman of the Court Meeting and has directed the chairman of the Court Meeting to report the results of the Court Meeting to the Grand Court.

The Scheme is subject to the subsequent sanction of the Grand Court as set out in the explanatory memorandum contained in the Scheme Document.

Dated: 28 October 2023

By order of the Court  
**Conyers Dill & Pearman LLP**  
SIX, 2nd Floor, Cricket Square  
171 Elgin Ave  
George Town, Grand Cayman  
Cayman Islands  
Attorney for the Company

*Note:*

1. For the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting, the register of members of the Company will be closed from Monday, 20 November 2023 to Monday, 27 November 2023 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Link Market Services (Hong Kong) Pty Limited, at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong, before 4:30 p.m. on Friday, 17 November 2023.

*As at the date of this notice, the Board comprises Mr. Chen Li being the executive managing Director, Mr. Wu Zhen Tao and Ms. Liu Xuezi being the non-executive Directors, and Mr. Chan Kee Huen, Michael, Mr. Yeung Tak Bun, Allen, Ms. Chan Ching Har, Eliza and Dr. Zhu Xun being the independent non-executive Directors.*



**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)**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**General Meeting**”) of Lansens Pharmaceutical Holdings Limited 朗生醫藥控股有限公司 (the “**Company**”) will be held at The Executive Centre, Level 35, Two Pacific Place, No. 88 Queensway, Admiralty, Hong Kong on Monday, 27 November 2023 at 10:30 a.m. (Hong Kong time) (or, if later, as soon as practicable after the conclusion or the adjournment of the Court Meeting (as defined in the Scheme Document (as defined below)) for the purpose of considering and, if thought fit, passing the following resolution:

**SPECIAL RESOLUTION**

“**THAT:**

1. for the purpose of giving effect to the scheme of arrangement between the Company and the Scheme Shareholders (as defined in the Scheme Document, as defined further below) (the “**Scheme**”) as set out in the scheme document of the Company dated 28 October 2023 (the “**Scheme Document**”) and subject to the approval of the Scheme by the Scheme Shareholders at the Court Meeting (as defined in the Scheme Document), on the Effective Date (as defined in the Scheme Document), any reduction of the issued share capital of the Company associated with the cancellation and extinguishment of the Scheme Shares (as defined in the Scheme Document) be and is hereby approved;
2. subject to and simultaneously with the cancellation and extinguishment of the Scheme Shares, the maintenance of the issued share capital of the Company at the amount prior to the cancellation and extinguishment of the Scheme Shares by applying the credit created as a result of the aforesaid cancellation and extinguishment of the Scheme Shares to pay up in full at par such number of new Shares (as defined in the Scheme Document) as is equal to the number of Scheme Shares cancelled for allotment and issuance to Cathay International Pharma Manufacture and Distribution (China) Limited be and is hereby approved; and that the directors of the Company be and are hereby authorised to allot and issue such new Shares accordingly;
3. subject to the Scheme taking effect, the withdrawal of listing of the Shares on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) be and is hereby approved; and

4. the directors of the Company be and are hereby unconditionally authorised to do all acts and things and/or sign all such documents as considered by them to be necessary for or desirable in connection with the implementation of the Proposal (as defined in the Scheme Document) and the Scheme, including (without limitation) (i) the making of an application to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange, subject to the Scheme taking effect; (ii) any reduction of the issued share capital of the Company; (iii) the allotment and issue of the Shares referred to above; and (iv) the giving, on behalf of the Company, of consent to any modification of, or addition to, the Scheme, which the Grand Court of the Cayman Islands may see fit to impose.”

By order of the Board  
**Lansen Pharmaceutical Holdings Limited**  
**朗生醫藥控股有限公司**  
**Wu Zhen Tao**  
*Chairman*

Hong Kong, 28 October 2023

*Registered office:*

Windward 3, Regatta Office Park  
P.O. Box 1350  
Grand Cayman  
KY1-1108  
Cayman Islands

*Principal place of business in Hong Kong:*

Suites 1203-4  
12/F., Li Po Chun Chambers  
189 Des Voeux Road Central  
Hong Kong

*Notes:*

1. Unless otherwise indicated, expressions used herein shall have the same meanings as those defined in the scheme document of the Company dated 28 October 2023 (the “**Scheme Document**”), of which this notice forms part.
2. The above resolution will be voted upon by way of poll at the General Meeting in accordance with the articles of association of the Company, the Listing Rules and the Takeovers Code. The results of the poll will be published on the respective websites of the Stock Exchange and the Company in accordance with the Listing Rules and the Takeovers Code.
3. A shareholder entitled to attend and vote at the General Meeting shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A shareholder who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her and vote on his/her behalf at the General Meeting. A proxy need not be a shareholder of the Company but must attend the General Meeting in person in order to represent you.
4. In the case of joint holders of a share, any one of such persons may vote at the General Meeting, either personally or by proxy, in respect of such share as if she/he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.



5. In order to be valid, the duly completed and signed **WHITE** form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the branch share registrar of the Company in Hong Kong, Link Market Services (Hong Kong) Pty Limited at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong not less than 48 hours before the time appointed for the holding of the General Meeting or any adjournment thereof. Completion and return of the **WHITE** form of proxy will not preclude a shareholder from attending and voting in person at the General Meeting if he/she so wishes and, in such event, the instrument appointing a proxy shall be revoked by operation of law.
6. For the purpose of determining the entitlements of the shareholders to attend and vote at the General Meeting, the register of members of the Company will be closed from Monday, 20 November 2023 to Monday 27 November 2023 (both days inclusive) and during such period, no transfer of shares will be effected. In order to qualify to vote at the General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Link Market Services (Hong Kong) Pty Limited at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong before 4:30 p.m. on Friday, 17 November 2023.
7. A **WHITE** form of proxy for use at the General Meeting is enclosed with the Scheme Document. Such form is also published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of the Company at [www.lansen.com.cn](http://www.lansen.com.cn).
8. References to time and dates in this notice are to Hong Kong time and dates.

*As at the date of this notice, the Board comprises Mr. Chen Li being the executive managing Director, Mr. Wu Zhen Tao and Ms. Liu Xuezi being the non-executive Directors, and Mr. Chan Kee Huen, Michael, Mr. Yeung Tak Bun, Allen, Ms. Chan Ching Har, Eliza and Dr. Zhu Xun being the independent non-executive Directors.*