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

長江生命科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0775)

**CONNECTED TRANSACTION
CO-INVESTMENT IN PHARUS, INC.**

The Board announces that on 25 July 2022 (after trading hours), the CKLS Investor (a wholly-owned subsidiary of the Company), the CKHH Investor (a wholly-owned subsidiary of CKHH), Quark and Pharus (a wholly-owned subsidiary of Quark) entered into a Subscription Agreement, pursuant to which each of the CKLS Investor and the CKHH Investor has subscribed for, and Pharus has issued to each Investor, certain Series A2 Preference Shares such that, immediately following such issue, the CKLS Investor and the CKHH Investor each holds approximately 18.33% of the total issued share capital of Pharus.

It is intended that Pharus shall focus on the research, development and commercialisation of molecular diagnostics for the early detection of cancer.

Prior to Completion, Quark has transferred or licensed certain assets to Pharus, including patent rights, know-how and physical assets for use in the business to be conducted by Pharus, pursuant to an Asset Transfer and License Agreement entered into between Quark and Pharus.

The CKLS Investor, the CKHH Investor, Quark and Pharus have entered into a Shareholders' Agreement which sets out the terms on which Pharus will be governed following Completion.

The CKHH Investor has agreed to appoint the CKLS Investor as its proxy to vote on its behalf, and the CKHH Director has agreed to appoint an authorised representative of the CKLS Investor as his or her alternate to vote on his or her behalf, in respect of certain operational matters only in Pharus. These appointments can be terminated by the CKHH Investor at any time in its discretion.

As at the date of this announcement, CKHH owns approximately 45.31% of the issued shares of the Company. Accordingly, the CKHH Investor is a connected person of the Company. As such, the Co-Investment constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios of the Company in relation to the Co-Investment exceeds 0.1% but all of the applicable percentage ratios are less than 5%, the Co-Investment is subject to the reporting and announcement requirements, but is exempt from the circular and independent shareholders' approval requirements, under Chapter 14A of the Listing Rules.

1. INTRODUCTION

The Board announces that on 25 July 2022 (after trading hours), the CKLS Investor (a wholly-owned subsidiary of the Company), the CKHH Investor (a wholly-owned subsidiary of CKHH), Quark and Pharus (a wholly-owned subsidiary of Quark) entered into a Subscription Agreement, pursuant to which each of the CKLS Investor and the CKHH Investor has subscribed for, and Pharus has issued to each Investor, the Purchased Series A2 Shares (the “**Co-Investment**”).

Prior to Completion, Quark has transferred or licensed certain assets to Pharus, including patent rights, know-how and physical assets for use in the business to be conducted by Pharus, pursuant to an Asset Transfer and License Agreement entered into between Quark and Pharus.

2. THE SUBSCRIPTION AGREEMENT

The principal terms of the Subscription Agreement are summarised below.

As at the date of the Subscription Agreement and immediately prior to completion of the Co-Investment, the issued share capital of Pharus consisted of 1 Ordinary Share and 18,999,999 Series A1 Preference Shares, all of which are held by Quark.

Immediately following completion of the Co-Investment, the CKLS Investor and the CKHH Investor each holds 5,500,000 Series A2 Preference Shares, representing all of the Series A2 Preference Shares in issue as at the date of this announcement.

The Series A2 Preference Shares held by the CKLS Investor represents approximately 18.33% of the total issued share capital of Pharus (on a fully-diluted and as-converted basis).

2.1 Subject matter

Each of the CKLS Investor and the CKHH Investor shall subscribe for, and Pharus shall issue to each of the CKLS Investor and the CKHH Investor, the Purchased Series A2 Shares on the terms set out in the Subscription Agreement.

2.2 Consideration

In consideration for the issue of the Purchased Series A2 Shares, each of the CKLS Investor and the CKHH Investor will remit an amount equal to the Series A2 Purchase Price to Pharus within one Business Day after Completion.

The consideration was determined after arm’s length negotiations between the parties after taking into account the value of the assets which Quark has transferred or licensed to Pharus pursuant to the Asset Transfer and License Agreement and with reference to the estimated post-money valuation of Pharus being valued at approximately US\$30 million.

The consideration for the subscription by the CKLS Investor will be settled by the internal resources of the Group.

2.3 Completion

Completion of the subscription of the Purchased Series A2 Shares under the Subscription Agreement (the “**Completion**”) has taken place on the same day as the date of the Subscription Agreement.

2.4 Quark Guarantee

In consideration of the Investors entering into the Subscription Agreement, Quark unconditionally and irrevocably guarantees to each Investor that Pharus will comply properly and punctually with its obligations under the Subscription Agreement, the Shareholders’ Agreement and each of the other Transaction Documents (including any liability to pay damages, agreed or otherwise under the Subscription Agreement, the Shareholders’ Agreement or any other Transaction Documents).

3. THE SHAREHOLDERS’ AGREEMENT

On 25 July 2022 (after trading hours), the CKLS Investor, the CKHH Investor, Quark and Pharus have entered into a shareholders’ agreement (the “**Shareholders’ Agreement**”) which sets out the terms on which Pharus will be governed following Completion. The principal terms of the Shareholders’ Agreement are summarised below.

3.1 Rights of the Series A2 Preference Shares

The Series A2 Preference Shares carry the following rights, preferences and privileges:

Liquidation Preference:

In the event of a Liquidation Event, each holder of Series A2 Preference Shares shall be entitled to receive (in priority to the holders of the Ordinary Shares and Series A1 Preference Shares), on parity with each other, an amount equal to the higher of: (i) 100% of the issue price of the Series A2 Preference Shares for each Series A2 Preference Share held by it, plus all dividends accrued and unpaid thereon; and (ii) such amount of the assets and funds of Pharus legally available for distribution from the Liquidation Event as such holder of Series A2 Preference Shares would be entitled to receive if it were to be distributed or paid ratably among all shareholders of Pharus pro rata to their shareholding of Pharus’ issued share capital (on an as-converted basis).

Conversion Rights: The holders of the Series A2 Preference Shares may, at their sole discretion, convert such number of the Series A2 Preference Shares into Ordinary Shares without the payment of any additional consideration, and subject to adjustment and readjustment from time to time for share splits and combinations, dividends payable in securities, reorganisations or dilutive issuances, the Series A2 Preference Shares are initially convertible into the Ordinary Shares at an initial conversion ratio of 1:1. Each of the Series A2 Preference Shares shall be automatically converted at the then applicable conversion rate, without the payment of any additional consideration, into fully-paid and non-assessable Ordinary Shares immediately before the completion of a Qualified IPO.

Voting Rights: The holders of the Series A2 Preference Share shall be entitled to one vote for every Series A2 Preference Share.

Distribution: Each holder of the Series A2 Preference Shares shall be entitled to any distribution by Pharus pro rata to their respective shareholding of Pharus' issued share capital (on an as-converted basis).

3.2 Business of Pharus

The business of the Pharus Group is the research, development and commercialisation of molecular diagnostics for the early detection of cancer (the “**Business**”).

3.3 Use of Proceeds

The parties to the Shareholders' Agreement shall procure that the Pharus Group shall apply the proceeds of the subscriptions pursuant to the Subscription Agreement only for the Business.

3.4 Board Composition

The board of directors of Pharus consists of five directors, with each of the CKLS Investor and the CKHH Investor being entitled to appoint and remove one director (each a “**CK Director**”), for so long as each of them holds at least 5% of the total number of shares in Pharus in issue from time to time following the date of the Shareholders' Agreement.

3.5 Reserved Matters

Each party shall exercise its rights (so far as it is legally able) to procure that no action or decision is taken in respect of the following reserved matters without the prior consent of a simple majority of the board of directors of Pharus, including at least one CK Director:

- (a) appointing or removing anyone as the Chief Executive Officer, the Chief Financial Officer, or the Chief Scientific Officer, or settling or materially changing any of the conditions of employment or terms of reference of the Chief Executive Officer, the Chief Financial Officer, or the Chief Scientific Officer;
- (b) adopting or varying the terms of any equity-based compensation or incentive plan of Pharus or any other scheme for participation in any shares by employees of the Pharus Group;
- (c) adopting or materially amending the budget of Pharus;
- (d) appointing or removing Pharus's or any other Pharus Group Member's auditors;
- (e) issuing any shares in or changing or varying the share capital of Pharus or any other Pharus Group Member, or any addition of a new investor or shareholder in any Pharus Group Member;
- (f) any change in the agreed use of proceeds of the subscriptions pursuant to the Subscription Agreement;
- (g) any Pharus Group Member entering into, renewing, terminating, amending or waiving any right with respect to any transaction with Quark or any of its affiliates;
- (h) the initiation, negotiation, implementation or completion of a disposal of all or substantially all of the assets of the Pharus Group, or a merger, reorganisation or other transaction in which at least 50% of the outstanding voting power of Pharus is transferred, including any reorganisation of the Pharus Group in connection therewith;
- (i) the initiation, implementation or completion of any initial public offering of the Pharus Group or any Pharus Group Member, other than a Qualified IPO;
- (j) any Pharus Group Member entering into any exclusive, irrevocable license of all or substantially all of its intellectual property rights with a third party;
- (k) materially changing the nature or scope of the Business;
- (l) altering the articles of association of Pharus or other constitutional documents of Pharus or any other Pharus Group Member;

- (m) modifying, varying or abrogating any rights attaching to any shares;
- (n) issuance of any loan note, bond, debenture or similar debt instrument or varying the terms of any such instrument;
- (o) creating any encumbrance in respect of all or any material part of the property or assets (including intellectual property rights) of any Pharus Group Member exceeding an aggregate of US\$1,000,000;
- (p) any proposal or step to winding up any Pharus Group Member or other similar proceeding; and
- (q) any Pharus Group Member borrowing or raising money which would result in the Pharus Group's aggregate borrowing exceeding US\$1,000,000.

3.6 Restrictions on Transfers

The Shareholders' Agreement contains certain restrictions on the transfer of shares in Pharus by Quark and the Investors.

Other than transfers of shares to affiliates or transfers of shares made after the second anniversary of the date of the Shareholders' Agreement to a bona fide potential purchaser of shares who meets the requirements under applicable laws (subject to tag-along rights, in the case of a transfer of shares by Quark), no shareholder nor any of its affiliates may transfer its shares to any person, save with the prior written consent of (a) an Investor, in the case of a transfer of shares by Quark, or (b) Quark, in the case of a transfer of shares by an Investor.

3.7 Restrictive covenants

Quark agrees that, until the later of (i) a period of five years following the Completion Date; or (ii) it or any of its affiliates ceasing to appoint any board member of any member of the Pharus Group, other than certain permitted activities as agreed under the Shareholders' Agreement, neither it (nor any of its affiliates) shall, without the prior written consent of an Investor, (1) compete with the Business; (2) solicit or entice away from the Pharus Group any customer or supplier of the Pharus Group; or (3) solicit or entice away any individual who is employed or engaged by the Pharus Group as a director or in a managerial, executive or technical capacity.

Each Investor agrees that, so long as it holds any shares in any Pharus Group Member, it shall not, without the written consent of Quark, solicit or entice away any individual who is employed or engaged by the Pharus Group as a director or in a managerial, executive or technical capacity.

3.8 Termination

The Shareholders' Agreement will terminate in full on the date on which (i) all of the parties agree in writing, (ii) upon the completion of a Qualified IPO, or (iii) all of the shares in Pharus are held by one person.

4. VOTING ARRANGEMENTS

The CKHH Investor has agreed to appoint the CKLS Investor as its proxy to vote on its behalf, and the CKHH Director has agreed to appoint an authorised representative of the CKLS Investor as his or her alternate to vote on his or her behalf, in respect of certain operational matters only in Pharus. These appointments can be terminated by the CKHH Investor at any time in its discretion.

5. INFORMATION ON THE GROUP

The principal activities of the Group include investment holding, research and development, manufacturing, commercialisation, marketing, sale of, and investment in, nutraceuticals, pharmaceuticals and agriculture-related products and assets as well as investment in various financial and investment products.

6. INFORMATION ON THE PARTIES INVOLVED IN THE CO-INVESTMENT

(a) Information about the CKHH Investor

The CKHH Investor is a company incorporated under the laws of the British Virgin Islands and is an indirect wholly-owned subsidiary of CKHH.

CKHH is a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange. The CKHH Group is principally engaged in four core businesses: ports and related services, retail, infrastructure, and telecommunications.

(b) Information about Quark and Pharus

Quark is a company incorporated in the Cayman Islands with limited liability. The Quark Group is principally engaged in the business of providing high-quality precision healthcare solutions to partners through its core technologies.

Pharus is a company incorporated in the Cayman Islands with limited liability. Pharus is principally engaged in the business of conducting research, development and commercialisation of molecular diagnostics for the early detection of cancer.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Quark and its ultimate beneficial owners are, and prior to Completion, Pharus and its ultimate beneficial owners were, third parties independent of the Company and its connected persons (as defined under the Listing Rules).

7. REASONS FOR AND BENEFITS OF THE CO-INVESTMENT

Bearing the mission of improving the quality of life, the Company is engaged in the business of research and development, manufacturing, commercialisation, marketing, sale of, and investment in, products and assets which fall into three core categories - nutraceuticals, pharmaceuticals and agriculture-related. The Co-Investment represents an investment opportunity which offers synergies with the Company's existing operations in pharmaceuticals R&D as well as the potential for an attractive return and capital appreciation.

After taking into account factors such as market outlook and future earnings potential, the Directors (including the independent non-executive Directors) are of the view that the Co-Investment is on normal commercial terms and in the ordinary and usual course of business of the Group, and that the terms of the Subscription Agreement and the Shareholders' Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole. None of the Directors has a material interest in the Co-Investment and thus no Director was required to abstain from voting on the board resolutions passed to approve the Co-Investment.

8. LISTING RULES IMPLICATIONS

As at the date of this announcement, CKHH owns approximately 45.31% of the issued shares of the Company. Accordingly, the CKHH Investor is a connected person of the Company. As such, the Co-Investment constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios of the Company in relation to the Co-Investment exceeds 0.1% but all of the applicable percentage ratios are less than 5%, the Co-Investment is subject to the reporting and announcement requirements but is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

9. DEFINITIONS

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

“Asset Transfer and License Agreement”	the agreement for the transfer and license of certain assets from Quark to Pharus dated 22 July 2022 between Quark and Pharus
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“Board”	the board of directors of the Company
“Business”	has the meaning ascribed to it in the section headed “3. <i>The Shareholders’ Agreement - 3.2. Business of Pharus</i> ”
“Business Day”	a day (other than a Saturday or Sunday or public holiday in Hong Kong, Taipei City or the Cayman Islands) on which banks are generally open in Hong Kong, Taipei City and the Cayman Islands for general commercial business
“CK Director”	has the meaning ascribed to it in the section headed “3. <i>The Shareholders’ Agreement – 3.4 Board Composition</i> ”
“CKHH”	CK Hutchison Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1)
“CKHH Director”	the director appointed by the CKHH Investor to the board of directors of Pharus
“CKHH Group”	CKHH and its subsidiaries
“CKHH Investor”	Cosmic Classic Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of CKHH
“CKLS Director”	the director appointed by the CKLS Investor to the board of directors of Pharus
“CKLS Investor”	Joris Investments Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“CKLS Services Agreement”	the services agreement dated 25 July 2022 between the CKLS Investor and Pharus Taiwan, Inc., a wholly-owned subsidiary of Pharus
“Co-Investment”	has the meaning ascribed to it in the section headed “1. <i>Introduction</i> ”

“Company”	CK Life Sciences Int’l., (Holdings) Inc., a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 0775)
“Completion”	has the meaning ascribed to it in the section headed “2. <i>The Subscription Agreement – 2.3 Completion</i> ”
“Completion Date”	the date on which Completion occurs
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Investors”	the CKLS Investor and/or the CKHH Investor (as the context requires)
“Liquidation Event”	means any of the following: <ul style="list-style-type: none"> (a) any liquidation, dissolution, winding-up or similar event of Pharus; (b) a sale (whether through a single transaction or a series of transactions) of all, or substantially all, of the assets of Pharus; (c) a merger, reorganisation or other transaction in which at least 50% of the outstanding voting power of Pharus is transferred; (d) an exclusive, irrevocable licensing of all or substantially all of Pharus’s intellectual property to a third party; (e) any change of control of Quark; or (f) any material breach by Quark or Pharus of the Transaction Documents.

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as may be amended from time to time)
“Ordinary Shares”	the ordinary shares in the capital of Pharus from time to time
“Pharus”	Pharus, Inc., a company incorporated in the Cayman Islands with limited liability
“Pharus Group”	Pharus and all entities controlled by Pharus from time to time
“Pharus Group Member”	any entity in the Pharus Group
“Purchased Series A2 Shares”	5,500,000 Series A2 Preference Shares in the capital of Pharus (as issued to each Investor)
“Qualified IPO”	a firm commitment underwritten public offering of the Ordinary Shares of Pharus on an internationally recognised stock exchange at a per share price of not less than US\$3.00 with gross proceeds from the offering being not less than US\$30,000,000
“Quark”	Quark Biosciences, Inc., a company incorporated in the Cayman Islands with limited liability
“Quark Services Agreement”	the services agreement dated 25 July 2022 between Quark Biosciences Taiwan, Inc., a wholly-owned subsidiary of Quark, and Pharus Taiwan, Inc., a wholly-owned subsidiary of Pharus
“Series A1 Preference Shares”	the series A1 preference shares in the capital of Pharus from time to time
“Series A2 Preference Shares”	the series A2 preference shares in the capital of Pharus from time to time
“Series A2 Purchase Price”	US\$5,500,000 (paid by each Investor)
“Shareholders’ Agreement”	has the meaning ascribed to it in the section headed “3. <i>The Shareholders’ Agreement</i> ”
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subscription Agreement”	the agreement for the subscription of Series A2 Preference Shares in Pharus dated 25 July 2022 entered into between the CKLS Investor, the CKHH Investor, Pharus and Quark
“Supply Agreement”	the supply agreement dated 22 July 2022 between Quark Biosciences Taiwan, Inc., a wholly-owned subsidiary of Quark, and Pharus Taiwan, Inc., a wholly-owned subsidiary of Pharus
“Transaction Documents”	the Subscription Agreement, the Asset Transfer and License Agreement, the Shareholders’ Agreement, the Supply Agreement, the Quark Services Agreement, the CKLS Services Agreement, the amended and restated articles of association of Pharus, the director indemnification agreements entered into between Pharus and each of the CK Directors, among others.
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

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

Hong Kong, 25 July 2022

As at the date of this announcement, the Executive Directors of the Company are Mr. Li Tzar Kuoi, Victor (Chairman), Mr. Kam Hing Lam, Mr. Ip Tak Chuen, Edmond, Mr. Yu Ying Choi, Alan Abel and Dr. Toh Kean Meng, Melvin; and the Non-executive Directors are Mr. Peter Peace Tulloch, Mrs. Kwok Eva Lee (Independent Non-executive Director), Mr. Colin Stevens Russel (Independent Non-executive Director), Mr. Kwan Kai Cheong (Independent Non-executive Director), Mr. Paul Joseph Tighe (Independent Non-executive Director) and Mr. Donald Jeffrey Roberts (Independent Non-executive Director).