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

長江生命科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0775)

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the 2020 Announcement relating to, inter alia, the Existing Continuing Connected Transactions. The Existing Supply Agreement will expire on 31 December 2023.

It is expected that the Group will from time to time continue to enter into with the CKHH Group transactions of a nature similar to the Existing Continuing Connected Transactions after the expiry of the Existing Supply Agreement. On 19 December 2023, the Company entered into the New CKHH Supply Agreement with CKHH for a term of three years commencing from 1 January 2024 in relation to the Supply of Products and the Sales Related Payments.

As at the date of this announcement, CKHH is interested in approximately 45.31% of the issued share capital of the Company and therefore is a substantial shareholder of the Company, and thus CKHH is a connected person of the Company under the Listing Rules. Since the New CKHH Continuing Connected Transactions will involve the Supply of Products and the Sales Related Payments on a continuing or recurring basis and are expected to extend over a period of time, those transactions constitute continuing connected transactions of the Company under the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Annual Cap Amounts for each of (i) the Supply of Products; and (ii) the Sales Related Payments contemplated under the New CKHH Supply Agreement exceed 0.1% but all of the applicable percentage ratios are less than 5%, the continuing connected transactions under the New CKHH Supply Agreement are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

1. BACKGROUND

Reference is made to the 2020 Announcement relating to, inter alia, the Existing Continuing Connected Transactions. The Existing Supply Agreement will expire on 31 December 2023.

2. THE EXISTING CONTINUING CONNECTED TRANSACTIONS

Under the Existing Supply Agreement, CKHH engages the Company and the Company agrees to provide and/or procure to be provided the Existing Products to the CKHH Group for sale and distribution on a non-exclusive basis for a term from 1 January 2021 to 31 December 2023. In that connection, relevant members of the Group may make the Sales Related Payments to the relevant members of the CKHH Group.

The annual caps of the Existing Continuing Connected Transactions for each of the two financial years ended 31 December 2021, 31 December 2022 and for the financial year ending 31 December 2023 are set out in the table below:

Annual Caps for the Existing Continuing Connected Transactions	For the year ended 31/12/2021	For the year ended 31/12/2022	For the year ending 31/12/2023
Existing Supply Agreement :-			
(a) the transaction amounts of the Existing Products provided to the CKHH Group;	HK\$130,000,000	HK\$150,000,000	HK\$170,000,000
(b) the transaction amounts of the Sales Related Payments paid by the Group to the CKHH Group	HK\$17,000,000	HK\$19,000,000	HK\$21,000,000

The actual aggregate transaction amounts of the Existing Continuing Connected Transactions for each of the two financial years ended 31 December 2021 and 31 December 2022 and the eleven months ended 30 November 2023 are as follows:

Actual Aggregate Amounts of the Existing Continuing Connected Transactions	For the year ended 31/12/2021	For the year ended 31/12/2022	For the eleven months ended 30/11/2023
Existing Supply Agreement :-			
(a) the transaction amounts of the Existing Products provided to the CKHH Group;	HK\$38,456,898	HK\$35,755,262	HK\$23,515,060
(b) the transaction amounts of the Sales Related Payments paid by the Group to the CKHH Group	HK\$7,142,211	HK\$1,139,220	HK\$4,390,529

For each of the two financial years ended 31 December 2021 and 31 December 2022, none of the actual aggregate transaction amounts of the Existing Continuing Connected Transactions exceeded their respective annual cap amount as disclosed in the 2020 Announcement. Based on the actual aggregate transaction amounts of the Existing Continuing Connected Transactions for the eleven months ended 30 November 2023, the Directors expect that the annual caps for the financial year ending 31 December 2023 as set out above would also not be exceeded.

3. THE NEW CKHH CONTINUING CONNECTED TRANSACTIONS

The New CKHH Supply Agreement

It is expected that the Group will from time to time continue to enter into with the CKHH Group transactions of a nature similar to the Existing Continuing Connected Transactions after the expiry of the Existing Supply Agreement on 31 December 2023. Details of the New CKHH Supply Agreement are as follows:

Date	: 19 December 2023
Parties	: The Company CKHH
Duration	: a term of 3 years from 1 January 2024 to 31 December 2026

Subject to the terms and conditions contained in the New CKHH Supply Agreement, the Group agrees to continue to provide the Products to the CKHH Group and the CKHH Group agrees to continue to purchase the Products from the Group, for sale and distribution by the CKHH Group both locally and overseas on a non-exclusive basis after the expiry of the Existing Supply Agreement. In connection with the supply of the Products, relevant members of the Group may make the Sales Related Payments to relevant members of the CKHH Group, which are expected to include advertising and promotional fees and royalties, display rentals, upfront payments or premium and/or such other payments (including without limitation, payments for consultancy, management and/or merchandising services to be rendered by the CKHH Group to the Group).

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

Pricing Basis and Pricing Policies

The price of the Products payable by the CKHH Group to the Group shall be determined based on the following pricing policy:

- (i) recommended retail price of each Product determined by the Group with reference to product benefits, consumer behaviour and pricing of competitive products;
- (ii) target profit margin for the Group for each Product with reference to cost of goods including production, transport and logistics and handling; and
- (iii) estimated increase in the recommended retail price of the Products with reference to inflation rates published by the Hong Kong Government from time to time and changes in pricing of competitive products and market conditions.

The amount of the Sales Related Payments payable by the Group to the CKHH Group shall be determined based on the price of the relevant Products payable by the CKHH Group for the same period which may be agreed between the relevant members of the CKHH Group and the Group on a case-by-case basis and with reference to the following pricing factors:

- (i) the scope, complexity, service level and overall volume of the services to be rendered by the CKHH Group to the Group;
- (ii) the operation feasibility and availability of the relevant member of the CKHH Group;
- (iii) the current practice of the distributors and the retailers in the market; and
- (iv) the prevailing market price of similar services provided by independent third party distributors.

Prior to determining the price for the Products and the Sales Related Payments, the Group shall use its best endeavours to obtain comparative quote(s) provided by independent third-party distributors in the market with comparable conditions including but not limited to, the number and location of outlets and the manner of distribution channel(s), and the scope of services.

Annual Cap Amounts

The Directors project that under the New CKHH Supply Agreement:

- (a) the amount receivable by the Group for the Products to be provided or to be agreed to be provided by the Group to the CKHH Group will not exceed the amounts set out below:-
 - (i) For the year ending 31 December 2024 – HK\$100,000,000
 - (ii) For the year ending 31 December 2025 – HK\$110,000,000
 - (iii) For the year ending 31 December 2026 – HK\$130,000,000; and
- (b) the amount of the Sales Related Payments payable by the Group to the CKHH Group will not exceed the amounts set out below:-
 - (i) For the year ending 31 December 2024 – HK\$23,000,000
 - (ii) For the year ending 31 December 2025 – HK\$25,300,000
 - (iii) For the year ending 31 December 2026 – HK\$30,000,000.

Basis of Annual Cap Amounts

The Annual Cap Amounts for the amount receivable by the Group for the provision of the Products set out in (a) above have been arrived at based on the relevant pricing policy stated in the above and the estimated sales volume of the Products to CKHH Group in the relevant years, which are determined with reference to the sales volumes of the Products provided and to be provided to the CKHH Group or through the distribution channels of the CKHH Group for the year ending 31 December 2023; the anticipated increase in the number and variety of the Products to be launched and made available to the CKHH Group for sale and distribution; the expected expansion of distribution channels for the Products through a wider scope of outlet coverage of the CKHH Group; and the expected increase in the number of markets in which the Products can be made available to the CKHH Group.

The Annual Cap Amounts of the Products for the three years ending 31 December 2024, 2025 and 2026 have taken into account potential developments in the sales of Products to the CKHH Group in various overseas markets. There are plans to make additional use of the distribution channels of the CKHH Group in other parts of the world.

The Annual Cap Amounts of the Sales Related Payments set out in (b) above are determined based on the projected sales amounts set out in (a) above and on the assumption that the Sales Related Payments will amount to approximately 23% of such sales having considered the relevant pricing factors stated in the above.

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

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

The continuing supply of the Products pursuant to the New CKHH Supply Agreement and the Sales Related Payments form part of the normal commercial activities of the Group. The transactions are also normal business activities between the relevant members of the Group and the CKHH Group and would also enable the Group to take advantage of the wide distribution channels and extensive retail outlets of the CKHH Group.

The Directors (including the independent non-executive Directors) are of the view that the terms of the New CKHH Continuing Connected Transactions and the Annual Cap Amounts are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. None of the Directors has a material interest in the New CKHH Continuing Connected Transactions and thus no Director was required to abstain from voting on the board resolutions passed to approve the New CKHH Continuing Connected Transactions. However, as Mr. Victor T K Li, being an executive Director, may be regarded as having a material interest in the New CKHH Continuing Connected Transactions, he voluntarily abstained from voting on the resolutions of the Board approving the New CKHH Supply Agreement and the New CKHH Continuing Connected Transactions.

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

Relationship with CKHH

As at the date of this announcement, CKHH is interested in approximately 45.31% of the issued share capital of the Company and therefore is a substantial shareholder of the Company, and thus CKHH is a connected person of the Company under the Listing Rules.

New CKHH Continuing Connected Transactions

The New CKHH Continuing Connected Transactions involve the Supply of Products and the Sales Related Payments on a continuing or recurring basis and are expected to extend over a period of time, those transactions will thus constitute continuing connected transactions of the Company under the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Annual Cap Amounts for each of (i) the Supply of Products; and (ii) the Sales Related Payments contemplated under the New CKHH Supply Agreement exceed 0.1% but all of the applicable percentage ratios are less than 5%, the continuing connected transactions under the New CKHH Supply Agreement are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

6. GENERAL

The principal activities of the Company are investment holding and the activities of its subsidiaries are 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.

The CKHH Group is principally engaged in four core businesses: ports and related services, retail, infrastructure, and telecommunications.

7. DEFINITIONS

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

“2020 Announcement”	the announcement of the Company dated 16 December 2020 in respect of, inter alia, the Existing Supply Agreement
“Annual Cap Amounts”	the projected maximum amount receivable or payable under the New CKHH Supply Agreement as described in the paragraph “ <i>Annual Cap Amounts</i> ” under the section headed “The New CKHH Continuing Connected Transactions” in this announcement
“Board”	the board of directors of the Company
“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 Group”	CKHH and its subsidiaries from time to time, and the companies in which CKHH is from time to time directly or indirectly interested so as to exercise or control the exercise of 30% to 50% of the voting power at any general meeting of such companies
“Company”	CK Life Sciences Int’l., (Holdings) Inc., a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 0775)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules (as may be amended from time to time)
“Directors”	the directors of the Company
“Existing Continuing Connected Transactions”	the existing transactions between members of the Group and members of the CKHH Group under or pursuant to the Existing Supply Agreement

“Existing Products”	a range of health food and dietary supplement products, as well as eco-agricultural products, under various brand names provided or to be provided (as the case may be) by the Group to the CKHH Group from time to time, as may be agreed between the relevant members of the Group and the CKHH Group
“Existing Supply Agreement”	the agreement dated 16 December 2020 made between the Company and CKHH in relation to the provision of the Existing Products by members of the Group to members of the CKHH Group
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New CKHH Continuing Connected Transactions”	the transactions under or pursuant to the New CKHH Supply Agreement
“New CKHH Supply Agreement”	the agreement dated 19 December 2023 made between the Company and CKHH in relation to the provision of the Products by members of the Group to members of the CKHH Group, details of which are set out in the paragraph “ <i>The New CKHH Supply Agreement</i> ” under the section headed “The New CKHH Continuing Connected Transactions” in this announcement
“Products”	the Existing Products but excluding eco-agricultural products

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

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

Hong Kong, 19 December 2023

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. Kwan Kai Cheong (Independent Non-executive Director), Mr. Paul Joseph Tighe (Independent Non-executive Director) and Mr. Donald Jeffrey Roberts (Independent Non-executive Director).