



康臣藥業集團有限公司
CONSUN PHARMACEUTICAL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1681)

Executive Directors:

Mr. AN Yubao (*Chairman*)
Ms. LI Qian (*Chief Executive Officer*)
Professor ZHU Quan

Non-executive Directors:

Mr. WANG Shunlong
Mr. LIN Sheng

Independent non-executive Directors:

Mr. SU Yuanfu
Mr. FENG Zhongshi
Ms. CHENG Xinxin

Registered office:

Clifton House
75 Fort Street
PO Box 1350
Grand Cayman KY 1-1108
Cayman Islands

***Headquarters and principal place of
business in the PRC:***

71, Dongpeng Avenue
Eastern section, Guangzhou Economic
and Technological Development District
Guangzhou, PRC

20 March 2017

To the Shareholders

Dear Sir or Madam,

- (1) PROPOSED OFF-MARKET SHARE BUY-BACK
AND CONNECTED TRANSACTION;
(2) APPLICATION FOR WHITEWASH WAIVER;
(3) PROPOSAL FOR DISTRIBUTION OF SPECIAL DIVIDEND; AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement. On 6 February 2017, the Company announced that, on the same date, it entered into the Share Buy-back Agreement with First Kind pursuant to which the Company agreed to acquire and First Kind agreed to dispose 146,140,200 Shares at the total consideration of HK\$560,739,947.40, equivalent to HK\$3.837 per Buy-back Share.

The purpose of this circular is to provide you with, among other things, (i) further information on the Share Buy-back Agreement, including the Whitewash Waiver and the Share Buy-back; (ii) the recommendation of the Independent Board Committee to the Disinterested Shareholders regarding the Share Buy-back Agreement and the transactions contemplated thereunder, including the Whitewash Waiver and the Share Buy-back and the proposal for

distribution of the Special Dividend; (iii) the advice from the IFA to the Independent Board Committee and the Disinterested Shareholders regarding the Share Buy-back Agreement and the transactions contemplated thereunder, including the Share Buy-back and the Whitewash Waiver; (iv) other information as required to be disclosed under the the Takeovers Code, the Buy-backs Code and Listing Rules; and (v) notice of the EGM.

THE SHARE BUY-BACK AGREEMENT

Date: 6 February 2017

Parties: (i) the Company

(ii) First Kind

To the best knowledge, information and beliefs of the Directors and after having made all reasonable enquiries, save that (i) First Kind being a Substantial Shareholder of the Company, (ii) Mr. LIN Sheng being a non-executive Director and also a managing director of Hony Capital and (iii) Mr. WANG Shunlong being a former managing director of Hony Capital, First Kind and its ultimate beneficial owner are third parties independent of and not connected with the Company and its connected persons.

Number of the Buy-back Shares

146,140,200 Shares, representing approximately 15.0% of the total number of issued shares of the Company being Shares owned by First Kind and as at the Latest Practicable Date, including all rights to any dividends or other distributions declared, made or paid in respect of the Buy-back Shares on or after the date of Completion.

Consideration

The total consideration for the Share Buy-back is HK\$560,739,947.40, equivalent to HK\$3.837 per Buy-back Share, and is payable in cash. The Buy-back Price was determined following arm's length commercial negotiations between the Company and First Kind, taking into account the movements in the price of the Shares over a period of time and prevailing market conditions.

The Buy-back Price represents:

- (a) a discount of approximately 12.20% to the closing price of HK\$4.370 per share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 1.78% to the closing price of HK\$3.770 per Share as quoted on the Stock Exchange on the Last Trading Day;

- (c) a premium of approximately 0.31% to the average closing price of approximately HK\$3.825 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;
- (d) a discount of approximately 5.14% to the average closing price of approximately HK\$4.045 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the 60 consecutive trading days immediately prior to and including the Last Trading Day;
- (e) a discount of approximately 8.71% to the average closing price of approximately HK\$4.203 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the 180 consecutive trading days immediately prior to and including the Last Trading Day;
- (f) a discount of approximately 11.65% to the average closing price of approximately HK\$4.343 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the 360 consecutive trading days immediately prior to and including the Last Trading Day; and
- (g) a premium of approximately 103.12% to the unaudited net asset value per Share attributable to Shareholders as at 30 June 2016 of approximately HK\$1.889 per Share.

The original average purchase cost to First Kind for each Buy-back Share is approximately HK\$1.55.

Highest and lowest Share prices

During the six-month period preceding and including the Last Trading Day and up to the Latest Practicable Date, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$5.00 on 2 September 2016 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$3.71 on 2 February 2017.

Conditions to Completion

Completion will be conditional upon the satisfaction of, amongst others, the following conditions:

- (a) the Executive having granted and not having withdrawn (i) the Whitewash Waiver; and (ii) the approval of the Share Buy-back under Rule 2 of the Buy-backs Code;
- (b) the passing of the resolutions at the EGM by at least three-fourths of the Disinterested Shareholders of the votes cast on a poll approving the Share Buy-back;
- (c) the passing of the resolutions at the EGM by a simple majority of the Disinterested Shareholders of the votes cast on a poll approving the Whitewash Waiver; and

- (d) the Company having complied with the applicable provisions of the Listing Rules, including those under Chapter 14A, the disclosure requirements and the requirement to obtain Disinterested Shareholders' approval in relation to the Share Buy-back.

None of the conditions above is capable of being waived by First Kind or the Company. If the above conditions precedent are not fulfilled on or before the Long Stop Date, unless otherwise agreed by First Kind and the Company, the Share Buy-back Agreement shall become null and void. As at the Latest Practicable Date, none of the conditions above have been fulfilled.

Completion

Completion will take place on a day before the Long Stop Date as agreed between First Kind and the Company in writing after fulfillment of the conditions precedent under the Share Buy-back Agreement.

Funding of the Share Buy-back

The Company will fund the Share Buy-back from the Company's available cash flow and external financing. Under the Companies Law, any buy-back of Shares by the Company may only be funded out of the Company's profits, a fresh issue of Shares made for the purpose, the Company's share premium account, or if so authorised by its articles of association and subject to the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be purchased must be provided for out of profits of the Company or out of the Company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. The Company has sufficient funds available as required under the Companies Law to effect the Share Buy-back.

For the purpose of financing the Share Buy-back, the Company entered into a commitment letter with BNP Paribas (being the parent company of BNP Paribas Securities (Asia) Limited), acting through its Hong Kong Branch (the "**Lender**"), as the mandated lead arranger and bookrunner and facility agent, pursuant to which the Lender conditionally (conditions include but not limited to the signing of formal facility documents) agreed to grant to the Company a three year term loan facility of up to HK\$560,000,000 on 17 March 2017, subject to the terms and conditions thereof, among others:

- (a) Mr. AN and Central Success Developments Limited (which is wholly-owned by Mr. AN) and Ms. LI and Double Grace International Limited (which is wholly-owned by Ms. LI) shall not cease collectively to (i) be the beneficial owners, either directly or indirectly, of at least 30.0% of the issued share capital of the Company or (ii) be the single largest shareholder, either directly or indirectly, of the Company;
- (b) Central Success Developments Limited shall not cease to be wholly-owned by Mr. AN and/or his family; and

- (c) Double Grace International Limited shall not cease to be wholly-owned by Ms. LI and/or her family.

REASONS FOR AND BENEFITS OF THE SHARE BUY-BACK

In considering to proceed with the Share Buy-back, the Company has taken into consideration that:

- (i) the Share Buy-back is a good opportunity for the Company to utilise its financial resources with the aim to enhance the earnings per Share;
- (ii) the Buy-back Price is within the range of closing price from HK\$3.71 to HK\$5.00 per Share during the six-month period immediately prior to and including the Last Trading Day and up to the Latest Practicable Date, and close to the lowest closing price of HK\$3.71 per Share as quoted on the Stock Exchange on 2 February 2017 during the same period. The Buy-back Price per Share represents a discount of approximately 8.71% to the average closing price of approximately HK\$4.203 per Share based on the daily closing prices of Shares as quoted on the Stock Exchange for the 180 consecutive trading days immediately prior to and including the Last Trading Day; and
- (iii) the average daily trading volume of the Shares for the 24 months up to and including the Last Trading Day was approximately 1,260,000 Shares per day, representing only approximately 0.13% of the issued Shares as at the Latest Practicable Date. Given the thin trading volume in the Shares and the large volume of the Buy-back Shares, it is a good opportunity for the Company to Buy-back a significant block of Shares without affecting the normal trading of the Shares in terms of price and volume.

In view of the above, the Board (other than members of the Independent Board Committee) is of the view that the Share Buy-back is entered into on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon Completion (assuming there are no changes in the shareholdings of the Concert Group and First Kind and the total number of issued Shares of the Company from the Latest Practicable Date to the date of Completion and cancellation of the Buy-back Shares is completed):

	As at the Latest Practicable Date		Immediately upon Completion ⁽¹⁾	
	No. of Shares	Approximate %	No. of Shares	Approximate %
Mr. AN and Central Success Developments Limited	204,765,817	21.02%	204,765,817	24.73%
Ms. LI and Double Grace International Limited	132,097,261	13.55%	132,097,261	15.95%
Guidoz Limited	110,050,000	11.30%	110,050,000	13.29%
Concert Group ⁽²⁾	446,913,078	45.87%	446,913,078	53.97%
First Kind	186,750,000	19.17%	40,609,800	4.90%
Other shareholders	340,604,922	34.96%	340,604,922	41.13%
Total	974,268,000	100.00%	828,127,800	100.00%

Notes:

1. Assuming there are no changes in the shareholdings of the Concert Group and First Kind and the issued share capital of the Company from the Latest Practicable Date to the Completion and cancellation of the Buy-back Shares is completed immediately upon Completion.
2. Among the 446,913,078 Shares held by the Concert Group,
 - (i) 196,200,000 Shares are held by Central Success Developments Limited, a company directly owned by Mr. AN, an executive Director and 8,565,817 Shares are held by Mr. AN directly;
 - (ii) 126,232,000 Shares are held by Double Grace International Limited, a company directly owned by Ms. LI, an executive Director and 5,865,261 Shares are held by Ms. LI directly; and
 - (iii) 110,050,000 Shares are held by Guidoz Limited, a company directly owned by Mr. YOUNG.

As at the Latest Practicable Date, Mr. AN and Ms. LI are holders of respectively 10,000,000 and 10,000,000 share options of the Company (the exercise of which would entitle them to subscribe for 10,000,000 and 10,000,000 Shares respectively). Save as disclosed above, none of the members of the Concert Group nor parties acting in concert with any one of them has owned or had control or direction over any other voting rights or rights over the Shares, options, derivatives, warrants, other securities convertible into Shares, or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

Assuming there are no changes to the shareholdings of the Concert Group and the total number of issued shares of the Company from the Latest Practicable Date to the date of Completion, upon Completion and cancellation of the Buy-back Shares, the percentage shareholding of the Concert Group will increase to approximately 53.97% of the reduced total number of issued Shares of the Company as a result of the Share Buy-back. Consequently, the Concert Group may increase their percentage shareholding in the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

It is the intention of the Company to continue to meet the public float requirements under the Listing Rules immediately upon Completion.

FINANCIAL EFFECTS OF THE SHARE BUY-BACK AND THE SPECIAL DIVIDEND

The unaudited pro forma consolidated financial information of the Group upon Completion and cancellation of the Buy-back Shares illustrating the financial impacts of the Share Buy-back on the net assets per Share as at 30 June 2016 and basic earnings per Share of the Group for the year ended 31 December 2015 are set out in Appendix II of this circular.

(i) Net assets per Share

Based on the unaudited pro forma consolidated financial information of the Group as set out in Appendix II of this circular and assuming that Completion had taken place on 30 June 2016 and the Buy-back Shares have been bought back in full and cancelled, the net assets per Share as at 30 June 2016 would, as a result, have decreased by approximately 18.6% from approximately RMB1.67 per Share to approximately RMB1.36 per Share. The unaudited pro forma adjusted consolidated net assets of the Group of approximately RMB1.36 per Share has not been adjusted for the proposed distribution of Special Dividend in cash which is subject to the Completion. Had the Special Dividend been approved and taken into account, the unaudited pro forma adjusted consolidated net assets per share immediately after the Completion would have been reduced from approximately RMB1.36 per Share to approximately RMB1.27 per Share.

(ii) Basic earnings per Share

Based on the unaudited pro forma consolidated financial information of the Group as set out in Appendix II of this circular and assuming that Completion had taken place on 1 January 2015 and the Buy-back Shares have been bought back in full and cancelled, the basic earnings per Share for the year ended 31 December 2015 would, as a result, have increased by approximately 12.0% from approximately RMB0.25 per Share to approximately RMB0.28 per Share.

(iii) Liabilities

The Share Buy-back will be paid in cash and funded by the Company's available cash flow and external financing. The total liabilities as at 30 June 2016 would increase by approximately 187.5% from approximately RMB264.0 million to approximately RMB759.0 million. The Company expects to repay such increased liabilities by internal resources as they fall due in the future.

(iv) Working capital

The working capital (expressed as net current assets) as at 30 June 2016 would decrease by approximately 12.1% from approximately RMB692.7 million to approximately RMB608.6 million (assuming approximately RMB495.0 million cash inflow drawdown of long-term loan less approximately RMB495.6 million cash used for settlement of the Share Buy-back, the estimated expenses of approximately RMB10.3 million directly attributable to the Share Buy-back and the payment of the special dividend of approximately RMB73.2 million).

Based on the above and having considered the manner of funding of the consideration for the Share Buy-back, the Company considers that Completion will have no material adverse effect on the Group's net assets per Share, basic earnings per Share or working capital.

INFORMATION ON THE COMPANY

The Group is an integrated pharmaceutical group principally engaged in the research, manufacturing and marketing of modern Chinese medicines and medical contrast medium in the PRC. Upholding a product strategy based on specialties and complemented by generics, the Group's uremic clearance granule and gadopentetate dimeglumine injection have already become the leaders of chronic kidney diseases sector and MRI medical contrast medium sub-sector in the field of specialist medicines.

For the two years ended 31 December 2014 and 2015, the audited consolidated profits of the Group before taxation were approximately RMB264,159,000 and RMB314,782,000 respectively. For the same periods, the audited consolidated profits attributable to equity shareholders of the Company (after taxation) were approximately RMB211,200,000 and RMB249,689,000 respectively.

INFORMATION ON FIRST KIND

First Kind is wholly owned by Hony Capital Fund III, L.P. as an investment vehicle holding approximately 19.17% equity interest in the Company.

As confirmed by First Kind, Hony Capital Fund III, L.P. is an investment fund which is structured as an exempted limited partnership established in the Cayman Islands. Hony Capital Fund III, L.P. is principally engaged in investments across a broad range of sectors including financial services, consumer industry, infrastructure, pharmaceuticals and franchising, as well as both light and heavy industries in the PRC. Hony Capital Fund III, L.P. is wholly owned by its sole general partner, Hony Capital Fund III, GP, L.P. Hony Capital Fund III, GP, L.P. is in turn wholly owned by its sole general partner, Hony Capital Fund III, GP, Limited. Hony Capital Fund III, GP, Limited is controlled by Hony Group Management Limited, which is in turn owned as to 80.0% by Hony Managing Partners Limited (which in turn is wholly owned by Exponential Fortune Group Limited) and as to 20.0% by Right Lane Limited (which is in turn wholly owned by Legend Holdings Corporation (stock code: 3396)). Exponential Fortune Group Limited is owned as to 49% by Mr. John Huan ZHAO and 51% by two individuals equally (each holding 25.5%) who are third parties independent of and not connected with the Company.

REGULATORY IMPLICATIONS

Buy-backs Code

The Share Buy-back constitutes an off-market share buy-back by the Company under the Buy-backs Code. The Company has made an application to the Executive for approval of the Share Buy-back pursuant to Rule 2 of the Buy-backs Code. The Executive's approval, if granted, will normally be conditional upon, among other things, the approval of the Share Buy-back by at least three-fourths of the votes cast on a poll by the Disinterested Shareholders present in person or by proxy at a meeting to be held for such purposes.

As approval of the Executive of the Share Buy-back is a condition of the Share Buy-back Agreement, the Company will not proceed to Completion unless the Executive approves the Share Buy-back pursuant to Rule 2 of the Buy-backs Code. However, there is no assurance that such approval will be granted or that all the conditions precedent to the Share Buy-back Agreement will be fulfilled.

Takeovers Code

Application for the Whitewash Waiver

If a Shareholder's proportionate interest in the voting rights of the Company increases as a result of the Share Buy-back, such increase will be treated as an acquisition of voting rights under Rule 32 of the Takeovers Code. As at the Latest Practicable Date, the Concert Group is interested in 446,913,078 Shares, representing approximately 45.87% of the total number of issued Shares of the Company. Save as the aforesaid, the Concert Group is not interested in any existing holding of voting rights or rights over the Shares. Assuming there are no changes to the shareholdings of the Concert Group and the total number of issued Shares of the Company from the Latest Practicable Date to the date of Completion, upon Completion and cancellation of the Buy-back Shares, the percentage shareholding of the Concert Group will be increased to approximately 53.97% of the reduced total number of issued Shares of the Company as a result of the Share Buy-back. In the circumstances, an obligation on the part of the Concert Group to make a general offer for all the Shares not already owned or agreed to be acquired by the Concert Group may arise as a result of the Share Buy-back. An application has been made to the Executive for the Whitewash Waiver. The Executive has agreed to, subject to the approval of the Disinterested Shareholders at the EGM by way of poll, grant the Whitewash Waiver.

It is one of the conditions of the Share Buy-back Agreement that the Whitewash Waiver be granted by the Executive and approved by the Disinterested Shareholders at the EGM. If the Whitewash Waiver is not granted by the Executive or not approved by the Disinterested Shareholders, the Share Buy-back Agreement will not become unconditional and cannot proceed.

Listing Rules

In view of the fact that First Kind, who as at the Latest Practicable Date, is the Substantial Shareholder and a company wholly owned by Hony Capital Fund III, L. P., First Kind is a connected person of the Company for the purpose of Chapter 14A of the Listing Rules. Accordingly, the Share Buy-back contemplated under the Share Buy-back Agreement constitutes a connected transaction under Chapter 14A of the Listing Rules and is therefore subject to the approval by the Disinterested Shareholders at the EGM under Chapter 14A of the Listing Rules.

(i) Mr. AN and Ms. LI, being members of the Concert Group, (ii) Mr. LIN Sheng, being our non-executive Director and also a managing director of Hony Capital and (iii) Mr. WANG Shunlong, being a former managing director of Hony Capital, have abstained from voting on the resolutions of the Board approving the Share Buy-back Agreement and the proposal for distribution of the Special Dividend. Save as disclosed in this circular, none of the Directors has a material interest in the Share Buy-back Agreement and the proposal for distribution of the Special Dividend.

PROPOSAL FOR DISTRIBUTION OF THE SPECIAL DIVIDEND

Subject to (1) the Disinterested Shareholders approving at the EGM (i) the Share Buy-back Agreement and the transactions contemplated thereunder; (ii) the Whitewash Waiver; and (iii) the proposal for distribution of the Special Dividend; and (2) the completion of the Share Buy-back Agreement, the Board proposes the payment of a special dividend of HK\$0.1 per Share in cash in the aggregate amount of approximately HK\$82,813,000 (equivalent to approximately RMB73,198,000 at the exchange rate of HK\$1.0000 to RMB0.8839, assuming no further changes to the total number of issued Shares from the Latest Practicable Date to the date when the Special Dividend is paid and excluding the Buy-back Shares) as soon as practicable after the Completion.

The proposal for distribution of the Special Dividend, if approved, is expected to be paid on or about Wednesday, 10 May 2017, to the Shareholders whose names appear on the register of members of the Company on Friday, 28 April 2017. To determine Shareholders' entitlement to the proposed Special Dividend, the register of members of the Company shall be closed from Tuesday, 25 April 2017 to Friday, 28 April 2017 (both days inclusive), during which period no share transfer will be registered. In order to qualify for the proposed Special Dividend, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 24 April 2017.

As the Board proposes the record date for determining the entitlement of Shareholders to the Special Dividend will be a date after the Completion, First Kind will not be entitled to the Special Dividend in respect of the Buy-back Shares.

EGM

A notice convening the EGM to be held at United Conference Centre, 10th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong on Tuesday, 11 April 2017 at 10:00 a.m., is set out on pages EGM-1 to EGM-2 of this circular. The EGM will be held to consider and, if thought fit, approve (i) the Share Buy-back Agreement and the transactions contemplated therein, including the Share Buy-back and the Whitewash Waiver; and (ii) the proposal for distribution of the Special Dividend.

As at the Latest Practicable Date, First Kind is interested in 186,750,000 Shares, representing approximately 19.17% of the total number of issued Shares. The Concert Group together holds 446,913,078 Shares, representing approximately 45.87% of the total number of issued Shares. By reason of the requirements of the Buy-backs Code, the Takeovers Code and the Listing Rules, First Kind and the Concert Group and their respective concert parties will abstain from voting at the EGM. Save for the aforesaid, no other Shareholder has a material interest in the transactions contemplated thereunder and will be required to abstain from voting on the resolution(s) approving (i) the Share Buy-back Agreement and the transactions contemplated thereunder, including the Share Buy-back and the Whitewash Waiver and (ii) the proposal for distribution of the Special Dividend at the EGM.

A form of proxy for use at the EGM is enclosed herewith. Whether or not you will be able to attend the EGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting (as the case may be) should you so wish.

RECOMMENDATION AND FURTHER INFORMATION

On the basis of the information set out in this circular, the executive and non-executive Directors consider that the Share Buy-back and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole. As such, the executive and non-executive Directors recommend the Disinterested Shareholders to vote in favor of these resolutions as set out in the notice of the EGM. (i) Mr. AN and Ms. LI, being members of the Concert Group, (ii) Mr. LIN Sheng being a non-executive Director and a managing director of Hony Capital and (iii) Mr. WANG Shunlong, being a former managing director of Hony Capital, have material interests in the Share Buy-back Agreement and the transactions contemplated thereunder, including the Whitewash Waiver and the Share Buy-back and the proposal for distribution of the Special Dividend and have therefore abstained from voting on the resolutions of the Board regarding the Share Buy-back Agreement and the Whitewash Waiver.

The Independent Board Committee, comprising all of the three independent non-executive Directors, has been established to advise and give recommendation to the Disinterested Shareholders on the Share Buy-back Agreement and the transactions contemplated thereunder, including the Whitewash Waiver, the Share Buy-back and the proposal for distribution of the Special Dividend. None of the members of the Independent Board Committee has any interest or involvement in the transactions contemplated under the Share Buy-back Agreement or the Whitewash Waiver.

TC Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Disinterested Shareholders on the Share Buy-back Agreement, including the Share Buy-back and the Whitewash Waiver. The Independent Board Committee has approved the appointment of TC Capital. Your attention is drawn to the letters from the Independent Board Committee and the advice from TC Capital as set out in this circular.

Your attention is also drawn to the information set out in the appendices to this circular.

Yours faithfully,
By order of the Board of
Consun Pharmaceutical Group Limited

AN Yubao
Chairman