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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)

VOLUNTARY ANNOUNCEMENT BUSINESS UPDATES

This announcement is made by Consun Pharmaceutical Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) on a voluntary basis to provide its shareholders and potential investors with the updates on the development of the business of the Group.

STRATEGIC COOPERATION FRAMEWORK AGREEMENT

The board of directors (the “**Board**”) of the Company is pleased to announce that on 7 January 2022, the Company entered into a non-legally binding strategic cooperation framework agreement (the “**Framework Agreement**”) with Zhejiang CONBA Pharmaceutical Co., Ltd.* (浙江康恩貝製藥股份有限公司) (“**CONBA**”, together with the Company, the “**Parties**”).

Pursuant to the Framework Agreement, the Parties agreed to initiate cooperation in various areas, including but not limited to the followings:

1. Equity Investment

CONBA intends to, at an appropriate time, invest in the Company’s equity on a long-term basis in order to create favourable conditions and pave way for the Parties’ strategic cooperation in various business areas.

2. Comprehensive Business Cooperation

(I) Marketing Cooperation

- (i) In order to capitalize on the strengths of the Company in marketing of medicines for the urinary system (mainly for kidney), CONBA intends to grant the sales team of the Company the right to sell medicines of certain specialty areas that it owned, including exclusive and innovative Chinese medicines listed in National Medical Insurance Drug Catalogue, in the hospital market in Mainland China;
- (ii) In order to leverage the strengths of CONBA in marketing of over-the-counter medicines, the Company intends to carry out full cooperation with CONBA in respect of the branding and marketing of its over-the-counter medicines, including those of Guangxi Yulin Pharmaceutical Group Co., Ltd.* (廣西玉林製藥集團有限公司), an indirect non-wholly-owned subsidiary of the Company;

- (iii) The Parties will enhance their exchange and cooperation in digital marketing so as to expedite the digital transformation of its sales and marketing initiatives. CONBA will help the Company to establish a digital marketing platform for medicines and comprehensive healthcare products as well as promote business development; and
- (iv) The Parties intends to actively initiate and establish in-depth cooperation in respect of market terminals in the Yangtze River Delta Region where CONBA has an abundance of marketing resources, so as to further increase the sales and market share of the Company's prescription drug products.

(II) Cooperation in Research and Development

- (i) The Parties intend to carry out exchange and cooperation in various aspects, including research and development know-how, projects and products, with a view to sharing collaborative resources and achievements;
- (ii) In order to accelerate the development of the Company's expertise in kidney disease, CONBA intends to transfer its existing projects and projects under development together with the relevant rights in respect of chronic nephritis, renal insufficiency and diabetic nephropathy, to the Company as and when appropriate;
- (iii) The Company intends to transfer its existing projects and projects under development together with the relevant rights related to CONBA's core strength to CONBA as and when appropriate; and
- (iv) The Parties will jointly promote the introduction of an innovative pipeline of medicine for the urinary system (mainly for kidney) to the Company. CONBA will actively assist the Company in obtaining the relevant rights of an innovative medicine for diabetes and kidney disease, which are jointly funded by CONBA and have entered the clinical research stage.

(III) Asset and Business Integration

The Parties will carry out necessary business and asset integration as and when appropriate, which includes, but not limited to, jointly establishing an innovative research and development organisation, establishing a digital marketing platform enterprise, and carrying out asset and business injection or swap under the principle of enhancing the core advantages and competitiveness of the Parties.

INFORMATION ON CONBA

CONBA is a limited liability company established in the People's Republic of China (the "PRC") and is principally engaged in the research and development, production and sales of pharmaceuticals, and medicinal herb plantation. The shares of CONBA are listed on the Shanghai Stock Exchange (stock code: 600572.SH).

To the best knowledge, information and belief of the Board after having made all reasonable enquiries, CONBA and its ultimate beneficial owners are all third parties independent of the Company and its connected persons (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) as at the date of this announcement.

REASONS FOR AND BENEFITS OF THE FRAMEWORK AGREEMENT AND THE STRATEGIC COOPERATION

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.

The cooperation with CONBA will further enhance the Group's research and development level and marketing capabilities. The cooperation contemplated under the Framework Agreement will fully leverage the advantages of the Parties and achieve a win-win situation in areas of research and development of new drugs and product marketing by leveraging the complementary advantages and strengthening the collaboration, hence enabling the Group to become the leading enterprise specialized in the urinary system, especially in the field of Chinese medicines for kidney diseases and health, in the PRC.

The Board is of the view that the cooperation contemplated under the Framework Agreement is entered into in the normal course of business of the Company, and the terms thereof are entered into on normal commercial terms, which are fair and reasonable. The cooperation is in line with the Company's development strategy and is in the interests of the Company and its shareholders as a whole.

As the entering of formal agreement with regard to any cooperation may or may not proceed, shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

By order of the Board of
Consun Pharmaceutical Group Limited
AN Meng
Chairman

Hong Kong, 7 January 2022

As at the date of this announcement, the board of directors of the Company comprises Mr. AN Meng, Ms. LI Qian, Professor ZHU Quan and Mr. XU Hanxing as executive directors; Ms. ZHANG Lihua as non-executive director; Mr. SU Yuanfu, Mr. FENG Zhongshi and Ms. CHEN Yujun as independent non-executive directors.

* *For identification purposes only*