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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)

CONNECTED TRANSACTION
FURTHER ACQUISITION OF APPROXIMATELY 5.42% EQUITY INTEREST
IN GUANGXI YULIN PHARMACEUTICAL GROUP CO., LTD.*

The Seventh Round Acquisition

The Board is pleased to announce that the Subsidiary (a wholly-owned subsidiary of the Company) has entered into the equity transfer agreements with the Seventh Round Vendors on 15 August 2016 and 16 August 2016 (the “**Seventh Round Equity Transfer Agreements**”) to further acquire in aggregate approximately 5.42% equity interest in the Target Company at the consideration of approximately RMB47,254,000 (the “**Seventh Round Acquisition**”). Upon completion of the Seventh Round Acquisition, the Subsidiary holds in aggregate approximately 70.74% equity interest in the Target Company.

Implications under the Listing Rules

The Seventh Round Vendors include 2 individuals, all of whom are citizens of the PRC and are directors of the Target Company. According to Rule 14A.07(2), these 2 individuals are connected persons of the Company. Given all of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transactions with these 2 individuals under the Seventh Round Acquisition are less than 5%, and the transactions are conducted on normal commercial terms, these transactions are exempt from the circular (including independent financial advice) and shareholders’ approval requirements according to Rule 14A.76(2)(a) of the Listing Rules.

Six Previous Acquisitions

Reference is made to the six announcements of the Company dated 6 August 2015 in relation to the First Round Acquisition of approximately 15%, dated 28 August 2015 in relation to the Second Round Acquisition of approximately 14.85%, dated 9 November 2015 in relation to the Third Round Acquisition of approximately 15.42%, dated 23 November 2015 in relation to the Fourth Round Acquisition of approximately 5.76% (the Fourth Round Acquisition was approved by the Company's shareholders at the extraordinary general meeting held on 19 July 2016 through a general resolution), dated 20 June 2016 in relation to the Fifth Round Acquisition of approximately 3.60% and dated 11 August 2016 in relation to the Sixth Round Acquisition of approximately 10.69% equity interest in the Target Company by the Subsidiary (the "**Six Previous Acquisitions**"). After the completion of the Six Previous Acquisitions, the Company holds in aggregate approximately 65.32% equity interest in the Target Company and the Target Company became a subsidiary of the Company since 19 July 2016.

Consideration and Payment Terms of the Seventh Round Acquisition

The consideration for the Seventh Round Acquisition is approximately RMB47,254,000 which will be paid in cash funded by internal resources of the Group. Taking into account factors including the existing capacity of the Target Company, the financial performance and position of the Target Company as well as the expected synergies with the Group's existing business arising from the acquisition, the consideration for the Seventh Round Acquisition was arrived at after arms' length negotiations.

Information on the Group

The Group is principally engaged in the research, manufacturing and sales of modern Chinese medicines and medical contrast medium in the PRC.

Information on the Target Company

The Target Company is a limited liability company established in the PRC and its business scope covers the manufacture of tablets, hard capsules, granules, syrups, tinctures (including the external use), ointments, liniments, mixtures and decoction agents; manufacture of Chinese herbal medicine (including toxic slices, purifying agents, cutting agents, frying agents, roasting agents, streaming agents, etc.); manufacture of beverages (tea drinks and other types of beverages); manufacture and sales of "Yulin Fuyanjie

Antibacterial Lotion”; operation of export businesses of self-produced products and related technologies of the corporation; operation of import businesses of commodities and related technologies, including raw and supplementary materials, mechanic equipment, instruments and meters, and spare parts required in the manufacturing and scientific researches of the corporation.

Financial Information of the Target Company

The following set forth the selected financial information of the Target Company (extracted from the Company’s circular dated 30 June 2016):

	Year ended 31 December	
	2014	2015
	<i>RMB</i>	<i>RMB</i>
Revenue	382,185,000	372,177,000
Net profit before tax	44,848,000	36,037,000
Net profit after tax	37,983,000	30,600,000
Total assets	395,091,000	488,341,000
Total liabilities	202,154,000	264,804,000
Net assets	192,937,000	223,537,000

Reasons for the Acquisition

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.

The Target Company is a Chinese medicine manufacturing enterprise principally engaged in the research and development, production and sales of Chinese medicines and natural medicines. The Target Company is one of the first batch of enterprises recognized as “Chinese Time-honored Brands (中華老字號)” by the Ministry of Commerce in 2006 and one of the first batch (seven in total) of research and development bases for ethnic medicines in Guangxi. In 2007, “Yulin Brand” trademark was accredited “Chinese

Well-known Trademark (中國馳名商標)”, and the Target Company has also been conferred the status of Guangxi High and New Technology Enterprise (高新技術企業) since 2009. The Target Company currently owns over 70 types of medicines in nine dosage forms. Among these medicines, over 30 types have been listed in the National Over-the-Counter Medicine Catalogue, Medical Insurance Drugs Catalogue and New Rural Cooperative Medicine Catalogue, and over 10 types are exported to more than 30 countries and regions.

The Company is of the view that the Seventh Round Acquisition will consolidate the influence of the Company on the Target Company and improve the expected synergies with the Group’s existing business. The Directors (including the independent non-executive Directors) are of the view that the transactions are conducted in ordinary and usual course of business of the Group, and are entered into on normal commercial terms which are fair and reasonable and are in the interests of the Company and shareholders as a whole.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Directors of the Company do not have any interest in the Seventh Round Acquisition.

Definition

In this announcement, unless the context otherwise requires, the following expression:

“Board”	the board of Directors of the Company;
“Company”	Consun Pharmaceutical Group 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;
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Fifth Round Acquisition”	the acquisition of an aggregate approximately 3.60% equity interest in the Target Company from the Fifth Round Vendor by the Company pursuant to the Fifth Round Equity Transfer Agreements;
“Fifth Round Equity Transfer Agreement”	the equity transfer agreement in respect of the Fifth Round Acquisition entered into between the Subsidiary and the Fifth Round Vendor on 17 June 2016;

“Fifth Round Vendor”	one individual, who is a citizen of the PRC;
“First Round Acquisition”	the acquisition of approximately 15% equity interest in the Target Company from the First Round Vendor under the open bid (listing-for-sale) process;
“First Round Vendor”	玉林市玉鑫資產經營有限責任公司 (Yulin Yuxin Assets Management Co., Ltd.*), a company established in the PRC;
“Fourth Round Acquisition”	the acquisition of approximately 5.76% equity interest in the Target Company from SaiWoTe by the Company pursuant to the Fourth Round Equity Transfer Agreement;
“Fourth Round Equity Transfer Agreement”	the equity transfer agreement in respect of the Fourth Round Acquisition entered into between the Subsidiary and SaiWoTe on 23 November 2015;
“Group”	the Company and its subsidiaries from time to time;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“November Acquisition”	the acquisition of an aggregate approximately 14.36% equity interest in the Target Company from SaiWoTe by the Company pursuant to the November Equity Transfer Agreements;
“November Equity Transfer Agreements”	the equity transfer agreements in respect of the November Acquisition entered into between the Subsidiary and SaiWoTe on 9 November 2015;
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this announcement;
“RMB”	Renminbi, the legal currency of the PRC;
“SaiWoTe”	賽沃特(北京)科技有限公司深圳分公司 (Shenzhen Branch of SaiWoTe (Beijing) Technology Company Limited*), a limited company incorporated in the PRC;
“Second Round Acquisition”	the acquisition of approximately 14.85% equity interest in the Target Company from the Second Round Vendors by the Company pursuant to the Second Round Equity Transfer Agreements;

“Second Round Equity Transfer Agreements”	the equity transfer agreements in respect of the Second Round Acquisition entered into between the Subsidiary and each of the Second Round Vendors on 27 August 2015;
“Second Round Vendors”	a total of 27 individuals, all of whom are citizens of the PRC;
“September Acquisition”	the acquisition of an aggregate approximately 1.06% equity interest in the Target Company from a total of 19 individuals by the Company pursuant to the September Equity Transfer Agreements;
“September Equity Transfer Agreements”	the equity transfer agreements in respect of the September Acquisition entered into between the Subsidiary and a total of 19 individuals on 14 September 2015;
“Seventh Round Acquisition”	the acquisition of approximately 5.42% equity interest in the Target Company from the Seventh Round Vendors by the Company pursuant to the Seventh Round Equity Transfer Agreements;
“Seventh Round Equity Transfer Agreements”	the equity transfer agreements in respect of the Seventh Round Acquisition entered into between the Subsidiary and each of the Seventh Round Vendors on 15 August 2016 and 16 August 2016;
“Seventh Round Vendors”	a total of 2 individuals, all of whom are citizens of the PRC and are directors of the Target Company;
“Six Previous Acquisitions”	collectively, the First Round Acquisition, the Second Round Acquisition, the Third Round Acquisition, the Fourth Round Acquisition, the Fifth Round Acquisition and the Sixth Round Acquisition;
“Sixth Round Acquisition”	the acquisition of approximately 10.69% equity interest in the Target Company from the Sixth Round Vendors by the Company pursuant to the Sixth Round Equity Transfer Agreements;
“Sixth Round Equity Transfer Agreements”	the equity transfer agreements in respect of the Sixth Round Acquisition entered into between the Subsidiary and each of the Sixth Round Vendors during the period from 20 July 2016 to 8 August 2016;
“Sixth Round Vendors”	a total of 146 individuals, all of whom are citizens of the PRC;

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subsidiary”	廣州康臣藥業有限公司 (Guangzhou Consun Pharmaceutical Company Limited*), a wholly-owned subsidiary of the Company established in the PRC;
“Target Company”	廣西玉林製藥集團有限責任公司 (Guangxi Yulin Pharmaceutical Group Co., Ltd.*), a company established in the PRC;
“Third Round Acquisition”	the acquisition of an aggregate approximately 15.42% equity interest in the Target Company from the Third Round Vendors by the Company pursuant to the Third Round Equity Transfer Agreements;
“Third Round Equity Transfer Agreements”	collectively the September Equity Transfer Agreements and the November Equity Transfer Agreement;
“Third Round Vendors”	collectively, a total of 19 individuals, all of whom are citizens of the PRC, and SaiWoTe, a limited company incorporated in the PRC;
“%”	Per cent.

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

Hong Kong, 16 August 2016

As at the date of this announcement, the board of directors of the Company comprises Mr. AN Yubao, Ms. LI Qian and Professor ZHU Quan as executive directors; Mr. WANG Shunlong and Mr. LIN Sheng as non-executive directors; Mr. SU Yuanfu, Mr. FENG Zhongshi and Ms. CHENG Xinxin as independent non-executive directors.

* *For identification purposes only*