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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 REGARDING CAPITAL CONTRIBUTION TO YULIN PHARMACEUTICAL**

### **Capital Contribution**

The board (the "**Board**") of directors of Consun Pharmaceutical Group Limited (the "**Company**") is pleased to announce that the resolution regarding the proposal (the "**Proposal**") of capital contribution to Guangxi Yulin Pharmaceutical Group Co., Ltd. ("**Yulin Pharmaceutical**"), a subsidiary of the Company, was approved at the general meeting of Yulin Pharmaceutical held on 27 October 2016. Pursuant to the Proposal, the registered capital of Yulin Pharmaceutical will be increased by RMB300,000,000 from RMB148,834,102 to RMB448,834,102, and the shareholders of Yulin Pharmaceutical (including Guangzhou Consun Pharmaceutical Company Limited ("**GZ Consun**"), a wholly-owned subsidiary of the Company which holds an equity interest of approximately 70.74% in Yulin Pharmaceutical, and other shareholders of Yulin Pharmaceutical who together hold an equity interest of approximately 29.26% in Yulin Pharmaceutical) are entitled to make capital contributions in cash in proportion to their respective equity interest in Yulin Pharmaceutical. Upon completion of the Proposal, the paid-up capital of Yulin Pharmaceutical will be increased to RMB448,834,102, and the equity interests held by GZ Consun and other shareholders of Yulin Pharmaceutical will remain at 70.74% and 29.26%, respectively, assuming that all shareholders of Yulin Pharmaceutical shall make full capital contributions in proportion to their respective equity interest.

Shareholders of Yulin Pharmaceutical may exercise their right to make capital contributions on or before 31 December 2016, subject to the actual amount received in cash by Yulin Pharmaceutical. In the event that the newly raised funds are, as at 31 December 2016, less than RMB300,000,000 as certain shareholders of Yulin Pharmaceutical may forgo such right or do not make full capital contributions in proportion to their respective equity interest, the shortfall may be covered by other shareholders of Yulin Pharmaceutical, who are willing to make extra capital contributions, in proportion to their respective equity interest.

## **Consideration**

Pursuant to the Proposal, GZ Consun is entitled to make capital contribution of approximately RMB212,220,000 in cash to Yulin Pharmaceutical, representing approximately 70.74% of the newly increased registered capital of Yulin Pharmaceutical. If the remaining approximately 29.26% of the total newly increased registered capital of Yulin Pharmaceutical, being approximately RMB87,780,000, is not contributed in full by other shareholders of Yulin Pharmaceutical in proportion to their respective equity interest by 31 December 2016, GZ Consun and other interested shareholders of Yulin Pharmaceutical may make further contributions in proportion to their respective equity interest. The capital contribution of GZ Consun pursuant to the Proposal will be paid out of the self-owned funds of the Company and its subsidiaries (collectively, the "**Group**").

## **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 Yulin Pharmaceutical**

Yulin Pharmaceutical 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.

Among those who currently hold or held during the past 12 months a directorship in Yulin Pharmaceutical or its subsidiaries (collectively, the "**Yulin Pharmaceutical Group**"), three now hold 0.31% equity interest in aggregate of Yulin Pharmaceutical and are thus eligible to participate in the Proposal.

## Financial Information on Yulin Pharmaceutical Group

The financial information on Yulin Pharmaceutical Group (extracted from the circular of the Company dated 30 June 2016) is set out below:

	Year ended 31 December (audited)	
	2014	2015
	RMB	RMB
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

Yulin Pharmaceutical Group has become an associate of the Group since August 2015. The unaudited management accounts of Yulin Pharmaceutical Group for the six months ended 30 June 2016 show a profit after tax of RMB24,663,000, which accounts for 80% of Yulin Pharmaceutical Group's audited annual profit after tax of RMB30,600,000 for 2015, reflecting Yulin Pharmaceutical Group's significant improvement in operating performance since it has become an associate of the Group. After deducting the additional depreciation and amortization expenses of approximately RMB16,176,000 (after tax) based on the fair value adjustments to Yulin Pharmaceutical Group's property, plant and equipment, investment properties and intangible assets at the time when acquiring the equity interest in Yulin Pharmaceutical, the Group's share of profit of the associate as reflected in the Group's interim report for 2016 amounted to RMB3,865,000. Since the resolution on approving and confirming the Group's Fourth Round Acquisition of Yulin Pharmaceutical was passed at the extraordinary general meeting convened on 19 July 2016, Yulin Pharmaceutical Group has since become a subsidiary of the Group, and its subsequent financial information will be consolidated into and reflected in the Group's consolidated financial statements for 2016. Thereafter, the Group made the Sixth Round Acquisition and the Seventh Round Acquisition of the equity interest of Yulin Pharmaceutical during the period from 20 July 2016 to 8 August 2016 and the period from 15 August 2016 to 16 August 2016. For details, please refer to the announcements of the Company dated 11 August 2016 and 16 August 2016, respectively.

## Reasons for and Benefits of the Proposal

In order to step up the adjustment in the structure of industries in Yulin City to optimize its overall city planning and industrial layout, the Yulin Municipal Government of Guangxi Zhuang Autonomous Region of the People's Republic of China initiated the implementation plan for the "Relocation of Industries from City Urban Area to Industrial Parks (退城入園)" project, calling for industrial and mining enterprises located in the central area of the city to be relocated to the planned industrial parks. Given that some of Yulin Pharmaceutical's production plants, which have been in use for a relatively long period of time, are located in the core central area of Yulin City, it is therefore one of the key subjects for the Yulin Municipal Government to implement the "Relocation of Industries from City Urban Area to Industrial Parks" project. Implementation of the Proposal is also in line with the development strategies of Yulin Pharmaceutical. In particular, upon relocation of the production lines in the existing old plants to (or through directly setup of new production lines in) the new plant area located in the Healthcare Industrial Park (健康產業園區) in Yulin City, the land parcels in the existing production area can be utilized for commercial development, which will provide a solid source of funds for Yulin Pharmaceutical to construct facilities in the new plant area and upgrade existing products.

At present, the Yulin Municipal Government has officially approved Yulin Pharmaceutical's various special requests to implement the "Relocation of Industries from City Urban Area to Industrial Parks" project, and has clearly stated that Yulin Pharmaceutical is entitled to a total of 13 favourable policies issued by the State, the Autonomous Region and Yulin City, and will be given appropriate support in relation to various specific issues including the change in land usage, demolition and relocation, water supply and sewage discharge, power supply, construction application and ancillary urban facilities. The preliminary preparation work has basically been completed. In order to finance the start-up funds required by Yulin Pharmaceutical to implement the "Relocation of Industries from City Urban Area to Industrial Parks" project, the Proposal was approved at the general meeting of Yulin Pharmaceutical on 27 October 2016.

The Company is of the view that participation in the Proposal will continue to consolidate the Group's influence on Yulin Pharmaceutical, and will also improve the expected synergies brought to the existing businesses of the Group. It is expected that, upon Yulin Pharmaceutical's receipt of RMB300,000,000 from the capital contribution, the start-up funds required by Yulin Pharmaceutical to construct new plants in the Healthcare Industrial Park, to relocate the production lines in the existing old plants and to conduct commercial development of the land parcels in the existing production area in Yulin City are basically met. The Directors (including the independent non-executive Directors) of the Company are of the view that participation in the Proposal is conducted in the ordinary and usual course of business of the Group, is entered into on normal commercial terms which fair and reasonable and is in the interests of the Company and the shareholders as a whole.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, none of the Directors of the Company has any interest in the Proposal and none of them is required to abstain from voting on the Board resolution for approving the Proposal.

**The Board of the Company hereby emphasizes that, as at the date of the announcement, the Group has not entered into any specific agreements or made any undertakings in respect of the Proposal. The Proposal may not materialize as described above or at all. Therefore, shareholders and/or investors of the Company are advised to exercise caution when dealing in the Shares. The Proposal, if materialized, may constitute a discloseable and/or connected transaction of the Company under the Listing Rules. The Company will then comply with the relevant requirements of the Listing Rules.**

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

Hong Kong, 8 November 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.*