

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**康臣葯業集團有限公司**  
**CONSUN PHARMACEUTICAL GROUP LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock code: 1681)**

## **MAJOR TRANSACTION IN RELATION TO COOPERATIVE DEVELOPMENT OF THE SITE LOCATED AT YULIN CITY, GUANGXI PROVINCE**

### **COOPERATIVE DEVELOPMENT AGREEMENT**

The Board is pleased to announce that on 13 May 2019, Yulin Pharmaceutical (an indirect non-wholly-owned subsidiary of the Company), Guangxi Huafa (an independent third party), Yulin Shunlang (an independent third party) and Yulin Yunxiang (a direct wholly-owned subsidiary of Yulin Pharmaceutical and as project company) entered into the Principal Agreement which sets out the parties' intent and board terms in relation to the development and reconstruction project of the old plant site of Yulin Pharmaceutical. On 31 May 2019, the parties entered into a Supplemental Agreement which sets out the specific terms in relation to, among others, the intended disposals of the entire equity interests in Yulin Yunxiang by Yulin Pharmaceutical to Guangxi Huafa and Yulin Shunlang at an aggregate investment return after tax of RMB700,000,000 payable to Yulin Pharmaceutical. Pursuant to the Cooperative Development Agreement, Yulin Yunxiang shall be principally engaged in the development and operation of Yulin Pharmaceutical's old plant site located at No. 3, Jiangnan Road, Yulin City, Guangxi Province, the PRC, which will be utilised in a commercial and residential property development project.

### **LISTING RULES IMPLICATIONS**

Given that the Principal Agreement mainly outlines the parties' intent and board terms of the Development Project and contains no specific terms regarding the Disposals save and except the payment of the Security Deposit and the Disposal-1, the transactions contemplated under the Principal Agreement do not constitute any discloseable transaction for the Company as all the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) are less than 5%.

Following the entering into of the Supplemental Agreement setting out the specific terms regarding the Disposals, as one or more than one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) exceed 25% but are less than 75%, the Disposals contemplated under the Cooperative Development Agreement constitute major transaction for the Company, and are therefore subject to the reporting, announcement and shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

A circular containing, among other things, further details of the Disposals will be despatched to the Shareholders on or before 24 June 2019.

To the best knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholder has a material interest in the Disposals and no Shareholder would be required to abstain from voting if the Company were to convene a general meeting to approve the Disposals. Pursuant to Rule 14.44 of the Listing Rules, a written shareholders' approval may be accepted in lieu of holding a general meeting. The Relevant Shareholders, being a closely allied group of the Shareholders holding in aggregate 450,150,078 Shares (representing approximately 51.62% of the total issued Shares having the right to attend and vote at a general meeting of the Company to approve the Disposals as at the date of this announcement), have given written approval to the Disposals. Accordingly, no general meeting of the Company will be convened for the purpose of approving the Disposals. The Relevant Shareholders are Mr. An Yubao, Central Success Developments Limited, Ms. Li Qian, Double Grace International Limited and Guidoz Limited holding 9,805,817 Shares, 197,324,000 Shares, 5,922,261 Shares, 127,048,000 Shares and 110,050,000 Shares respectively as at the date of this announcement.

**As the completion of the Disposals is subject to the fulfilment of the terms of the Cooperative Development Agreement, the Disposals may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.**

The Board is pleased to announce that on 13 May 2019, Yulin Pharmaceutical (an indirect non-wholly-owned subsidiary of the Company), Guangxi Huafa (an independent third party), Yulin Shunlang (an independent third party) and Yulin Yunxiang (a direct wholly-owned subsidiary of Yulin Pharmaceutical and as project company (the "**Project Company**")) entered into a principal cooperative development agreement dated 13 May 2019 (the "**Principal Agreement**") which sets out the parties' intent and board terms in relation to the development and reconstruction project of the old plant site of Yulin Pharmaceutical. On 31 May 2019, the parties entered into a supplemental agreement to the Principal Agreement (the "**Supplemental Agreement**", together with the Principal Agreement, collectively the "**Cooperative Development Agreement**") in relation to, among others, the intended disposals of the entire equity interests in Yulin Yunxiang (the "**Target Interest**") by Yulin Pharmaceutical to Guangxi Huafa and Yulin Shunlang at an aggregate investment return after tax of RMB700,000,000 payable to Yulin Pharmaceutical. Pursuant to the Cooperative Development Agreement, Yulin Yunxiang shall be principally engaged in the development and operation of Yulin Pharmaceutical's old plant site located at No. 3, Jiangnan Road, Yulin City, Guangxi Province, the PRC (the "**Project Land**"), which will be utilised in a commercial and residential property development project (the "**Development Project**").

The major terms of the Cooperative Development Agreement are set out as follows:

## **PRINCIPAL AGREEMENT**

**Date** : 13 May 2019

**Parties** : (1) Yulin Pharmaceutical;  
(2) Guangxi Huafa;  
(3) Yulin Shunlang; and  
(4) Yulin Yunxiang (as project company)

To the best knowledge, information and belief of the Board after making all reasonable enquiries, each of Guangxi Huafa, Yulin Shunlang and their respective ultimate beneficial owner(s) are Independent Third Parties.

- Project Land** : The Project Land is located at No.3, Jiangnan Road, Yulin City, Guangxi Province, the PRC
- Cooperation manner** : The parties to the Cooperative Development Agreement agreed that:
- (a) Yulin Pharmaceutical (as the owner of part of the Project Land) agreed to provide the land development right of the Project Land to the Project Company, be responsible for organising the demolition and relocation thereon, and procuring the Project Company to acquire the Project Land in accordance with the law;
  - (b) Guangxi Huafa and Yulin Shunlang shall be responsible for the provision of funds required and all the necessary technical support services to the Project Company for the development and construction in the Development Project; and
  - (c) Yulin Yunxiang shall be principally engaged in the development and operation of the Project Land, which will be utilised in the Development Project.
- Security Deposit** : Within ten business days from the date of the Cooperative Development Agreement, Guangxi Huafa and Yulin Shunlang shall pay RMB50,000,000 in cash to Yulin Pharmaceutical as security deposit (the “**Security Deposit**”).
- Disposal-1** : After the payment of the Security Deposit and the consideration of RMB2,000,000, Yulin Pharmaceutical shall transfer 5% of the Target Interest to Guangxi Huafa and Yulin Shunlang (the “**Disposal-1**”).
- Potential further transfer(s)** : The parties may further negotiate on whether and how Yulin Pharmaceutical would transfer part or all of the remaining equity interests in the Project Company held by it to Guangxi Huafa and/or Yulin Shunlang by stage at the time that the parties consider to be appropriate and at the consideration to be determined by the parties.

## SUPPLEMENTAL AGREEMENT

- Date** : 31 May 2019
- Parties** : (1) Yulin Pharmaceutical;  
(2) Guangxi Huafa;  
(3) Yulin Shunlang; and  
(4) Yulin Yunxiang (as project company)
- Basic information of the Project Land** : The Project Land consists of the following three parcels of land:
- (1) a parcel of land for industrial use with the total floor area of approximately 83,670 square metres (“**Parcel-1**”), which is owned by Yulin Pharmaceutical;
  - (2) a parcel of land for residential use with the total floor area of approximately 26,302 square metres (“**Parcel-2**”), which is owned by an Independent Third Party; and
  - (3) a parcel of land for agricultural use with the total floor area of approximately 13,448 square metres (“**Parcel-3**”), which is a collectively owned land parcel.
- The Disposals** : Pursuant to the Cooperative Development Agreement, Yulin Pharmaceutical shall transfer the Target Interest to Guangxi Huafa and Yulin Shunlang at a total investment return after tax of RMB700,000,000 (the “**Total Investment Return After Tax**”) in the following manner: -
- (1) before the completion of the change of land use of Parcel-1 and the transfer of Parcel-1 from Yulin Pharmaceutical to the Project Company, Yulin Pharmaceutical shall transfer 5% of the Target Interest to Guangxi Huafa and Yulin Shunlang at the consideration of RMB2,000,000 (i.e. Disposal-1);
  - (2) within five days from the completion of the change of land use of Parcel-1, the transfer registration of and the vacant possession delivery of Parcel-1 from Yulin Pharmaceutical to the Project Company, Guangxi Huafa and Yulin Shunlang shall pay an investment return after tax of RMB474,530,000 (against which the consideration of RMB2,000,000 received from the Disposal-1 shall be set off) to Yulin Pharmaceutical; upon receipt of which, Yulin Pharmaceutical shall transfer 62.79% of the Target Interest to Guangxi Huafa and Yulin Shunlang (the “**Disposal-2**”); and

- (3) within five days from the completion of the transfer registration of and the vacant possession delivery of Parcel-2 and Parcel-3 from Yulin Pharmaceutical to the Project Company, Guangxi Huafa and Yulin Shunlang shall pay an investment return after tax of RMB225,470,000 to Yulin Pharmaceutical; upon receipt of which, Yulin Pharmaceutical shall first transfer 27.21% of the Target Interest to Guangxi Huafa and Yulin Shunlang, and then transfer the remaining 5% of the Target Interest when the possession of the Repurchase Properties and the Reserved Building has been delivered to Yulin Pharmaceutical (the “**Disposal-3**”, together with the Disposal-1 and the Disposal-2, collectively the “**Disposals**”).

The additional payment for the revised rent arising from the transfer of Parcel-1 with the changed land use, all the taxes arising from the process of transferring the land use rights of the Project Land to the Project Company and all the taxes arising from the transfers of the equity interests in the Project Company shall be borne solely by Guangxi Huafa and Yulin Shunlang. Unless otherwise agreed by the parties, all the taxes and expenses payable in connection with the Development Project shall be borne by the Project Company, Guangxi Huafa and Yulin Shunlang.

Guangxi Huafa and Yulin Shunlang shall not sell, transfer or otherwise dispose of, charge or pledge any of the Target Interest to secure any borrowing before completion of the Disposals.

- Repurchase right of Yulin Pharmaceutical** : Yulin Pharmaceutical shall be entitled to repurchase from Guangxi Huafa, Yulin Shunlang and/or the Project Company the Repurchase Properties at the cost of construction to be agreed among the parties and the Reserved Building at nil consideration after completion of the construction.
- Entitlement of Guangxi Huafa and Yulin Shunlang** : Guangxi Huafa and Yulin Shunlang shall be entitled to the remaining investment return under the Development Project (in addition to the Total Investment Return After Tax) and the ownership of the constructed units at the Project Land other than the Repurchase Properties and the Reserved Building.

**Management of the Project Company** : Prior to the completion of the Disposals, the Project Company shall have only one director who shall be designated by Yulin Pharmaceutical and such director shall also act as legal representative of the Project Company. The general manager of the Project Company shall be designated by Guangxi Huafa and Yulin Shunlang while the management team of the Project Company shall be jointly established by Yulin Pharmaceutical, Guangxi Huafa and Yulin Shunlang.

Prior to the completion of the change of land use of Parcel-1 and the transfer of Parcel-1 from Yulin Pharmaceutical to the Project Company, the financial manager of the Project Company shall be designated by Yulin Pharmaceutical and the vice financial manager of the Project Company shall be designated by Guangxi Huafa and Yulin Shunlang. All the external payments using the capital of the Project Company shall be subject to the approval of Yulin Pharmaceutical. After the change in control of the Project Company, the vice financial manager of the Project Company shall be designated by Yulin Pharmaceutical instead. Yulin Pharmaceutical shall retain the right to know in relation to the operations and management of the Project Company and also the right of financial supervision.

**Termination of the cooperation on the Development Project** : In the event that the Project Company fails to obtain the land use rights of Parcel-1 within twelve months from the date of the Cooperative Development Agreement for any reason other than those attributable to Yulin Pharmaceutical, Guangxi Huafa and/or Yulin Shunlang, Yulin Pharmaceutical, Guangxi Huafa and Yulin Shunlang shall have the right to terminate the cooperation on the Development Project. In such event, Yulin Pharmaceutical shall return the Security Deposit and the consideration of RMB2,000,000 for the 5% of the Target Interest without interest to Guangxi Huafa and Yulin Shunlang, and Guangxi Huafa and Yulin Shunlang shall transfer all the vested Target Interest back to Yulin Pharmaceutical. Any loss caused to the parties due to the cooperation termination shall be borne by themselves.



In the event that (i) the Development Project fails to be completed on time due to reasons attributable to Guangxi Huafa and/or Yulin Shunlang; or (ii) Guangxi Huafa and/or Yulin Shunlang terminate(s) the Cooperative Development Agreement unilaterally before the completion of the Development Project; or (iii) Guangxi Huafa and Yulin Shunlang fail to provide sufficient funds resulting in a failure to make the relevant payment in the process of land acquisition for more than 60 consecutive days; or (iv) Guangxi Huafa and Yulin Shunlang fail to fulfil their project construction and development obligations, resulting in the continuous suspension of the Development Project for more than 60 days, Guangxi Huafa and Yulin Shunlang shall be deemed to be in breach of the Cooperative Development Agreement. In such event, Guangxi Huafa and Yulin Shunlang shall not recover the Security Deposit nor any investment they have made, and shall unconditionally withdraw from the Development Project and return the Target Interest together with the land and any buildings thereon registered in the name of the Project Company to Yulin Pharmaceutical.

The Total Investment Return After Tax to be paid by Guangxi Huafa and Yulin Shunlang was agreed after arm's length negotiations among the parties with reference to the unaudited net asset value of Yulin Yunxiang of approximately RMB204,000 as at 31 December 2018 and the net book value of Parcel-1 of approximately RMB109,000,000 as at 31 December 2018.

As at the date of this announcement, Yulin Yunxiang was an indirect non-wholly-owned subsidiary of the Company. Upon completion of the Disposals, Yulin Yunxiang will be wholly-owned by Guangxi Huafa and Yulin Shunlang and will cease to be a subsidiary of the Company, thus its results will no longer be consolidated into the financial results of the Group.

## **INFORMATION ABOUT THE GROUP, YULIN PHARMACEUTICAL AND YULIN YUNXIANG**

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.

Yulin Pharmaceutical is a company established in the PRC with limited liability and is principally engaged in the research and development, manufacturing and sales of Chinese medicines and natural medicines under the brand of "Yulin" in the PRC, which mainly covers the manufacture of traditional Chinese medicine capsules, granules and tinctures (including the external use), ointments and liniments, the manufacture of Chinese herbal medicines (including toxic slices purifying agents, cutting agents, frying agents, roasting agents and streaming agents, etc.) and also the manufacture of beverages (such as tea drinks). As at the date of this announcement, Yulin Pharmaceutical held Parcel-1 for its own use.

Yulin Yunxiang is a company established in the PRC with limited liability and a direct wholly-owned subsidiary of Yulin Pharmaceutical. As at the date of this announcement, it was principally engaged in property development.

The unaudited net profit (or loss) before and after tax and extraordinary items of Yulin Yunxiang for the two years ended 31 December 2017 and 2018 respectively were as follows:

	<b>Year ended 31 December</b>	
	<b>2018</b>	<b>2017</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Net profit (loss) before tax and extraordinary items	(1,477)	(1,313)
Net profit (loss) after tax and extraordinary items	(1,477)	(1,313)

The unaudited net asset value of Yulin Yunxiang as at 31 December 2018 was approximately RMB204,000.

## **INFORMATION ABOUT GUANGXI HUAFA AND YULIN SHUNLANG**

Guangxi Huafa is a company established in the PRC with limited liability, which is principally engaged in property development. Yulin Shunlang is a company established in the PRC with limited liability, which is principally engaged in real estate investment.

## **REASONS FOR AND BENEFIT OF THE COOPERATIVE DEVELOPMENT AGREEMENT**

In line with “Relocation of Industries from City Urban Area to Industrial Parks (退城入園)” implementation plan initiated by the Yulin Municipal Government of Guangxi Zhuang Autonomous Region of PRC, Yulin Pharmaceutical has relocated the production lines in the existing old plants at the Project Land to the new plant area located in the Healthcare Industrial Park (健康產業園區) in Yulin City. The Project Land can therefore be utilised in the Development Project, after preliminary analyses and test calculations, it is expected the Development Project may generate considerable return to Yulin Pharmaceutical, providing a solid source of funds for Yulin Pharmaceutical to satisfy the fund needed to construct facilities in the new plant area and upgrade existing products.

Given that the nature of the Development Project is property development which is not in line with the principal businesses and long term development of the Group, the Disposals, if materialises, represents a good opportunity for realisation of the Group’s investment in the Development Project. It is expected that the Group will record a net gain of approximately RMB508,000,000 from the Disposals, which is determined with reference to (i) the terms of the Cooperative Development Agreement regarding the Total Investment Return After Tax to be received by Yulin Pharmaceutical upon completion of the Disposals and (ii) the Group’s 72.69% equity interests in Yulin Pharmaceutical. The actual amount of gain or loss as a result of the Disposals to be recorded by the Company will be subject to the review and final audit by the auditors of the Company. It is expected that the net proceeds from the Disposals will be used by Yulin Pharmaceutical for its facilities construction and product development.

The terms of the Cooperative Development Agreement were determined after arm’s length negotiations between the parties thereto and the Directors are of the view that the terms of the Cooperative Development Agreement and the transactions contemplated thereunder on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.



## LISTING RULES IMPLICATIONS

Given that the Principal Agreement mainly outlines the parties' intent and board terms of the Development Project and contains no specific terms regarding the Disposals save and except the payment of the Security Deposit and the Disposal-1, the transactions contemplated under the Principal Agreement do not constitute any discloseable transaction for the Company as all the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) are less than 5%.

Following the entering into of the Supplemental Agreement setting out the specific terms regarding the Disposals, as one or more than one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) exceed 25% but are less than 75%, the Disposals contemplated under the Cooperative Development Agreement constitute major transaction for the Company, and are therefore subject to the reporting, announcement and shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

A circular containing, among other things, further details of the Disposals will be despatched to the Shareholders on or before 24 June 2019.

To the best knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholder has a material interest in the Disposals and no Shareholder would be required to abstain from voting if the Company were to convene a general meeting to approve the Disposals. Pursuant to Rule 14.44 of the Listing Rules, a written shareholders' approval may be accepted in lieu of holding a general meeting. The Relevant Shareholders, being a closely allied group of the Shareholders holding in aggregate 450,150,078 Shares (representing approximately 51.62% of the total issued Shares having the right to attend and vote at a general meeting of the Company to approve the Disposals as at the date of this announcement), have given written approval to the Disposals. Accordingly, no general meeting of the Company will be convened for the purpose of approving the Disposals.

The Relevant Shareholders are as follows:

	<b>Number of Shares held</b>	<b>Approximate percentage shareholding (Note 1)</b>
Mr. An Yubao (Note 2)	9,805,817	1.12%
Central Success Developments Limited (Note 3)	197,324,000	22.63%
Ms. Li Qian (Note 2)	5,922,261	0.68%
Double Grace International Limited (Note 4)	127,048,000	14.57%
Guidoz Limited (Note 5)	110,050,000	12.62%
	<hr/>	<hr/>
Total	<b>450,150,078</b>	<b>51.62%</b>

Notes:

1. The percentage was calculated based on 872,058,780 issued Shares as at the date of this announcement.
2. They are Directors.

3. Central Success Developments Limited beneficially owns 197,324,000 Shares. The entire issued share capital of Central Success Developments Limited is owned by Aali Resources Limited, which is held by BOS Trustee Limited as a trustee of a discretionary trust, of which Mr. An Yubao is the founder.
4. Double Grace International Limited is wholly owned by Ms. Li Qian.
5. Guido Limited beneficially owns 110,050,000 Shares. The entire issued share capital of Guido Limited is legally and beneficially owned by Mr. Young Wai Po, Peter.

**As the completion of the Disposals is subject to the fulfilment of the terms of the Cooperative Development Agreement, the Disposals may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.**

## **DEFINITIONS**

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

“Board”	the board of Directors
“Company”	Consun Pharmaceutical Group Limited, a company incorporated under the laws of the Cayman Islands with limited liability with its Shares listed on the Stock Exchange
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Guangxi Huafa”	Guangxi Huafa Real Estate Development Co., Ltd.* (廣西華發房地產開發集團有限公司), a company established in the PRC with limited liability
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and are not connected persons (as defined under the Listing Rules) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Repurchase Properties”	the properties located at the Project Land with the aggregate area of 9,100 square meters mainly for office, commercial and car parking uses, which Yulin Pharmaceutical shall be entitled to repurchase from Guangxi Huafa, Yulin Shunlang and/or the Project Company at the cost of construction to be agreed upon among the parties

“Reserved Building”	the building located at the Project Land with the total area of 1,061 square meters for industrial purpose, which Yulin Pharmaceutical shall be entitled to retain and/or repurchase from Guangxi Huafa, Yulin Shunlang and/or the Project Company at nil consideration
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the shares of the Company
“Shareholder(s)”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yulin Pharmaceutical”	Guangxi Yulin Pharmaceutical Group Co., Ltd.* (廣西玉林製藥集團有限公司), a company established in the PRC with limited liability and is an indirect non-wholly-owned subsidiary of the Company as at the date of this announcement
“Yulin Shunlang”	Yulin City Shunlang Real Estate Investment Co., Ltd.* (玉林市順浪置業投資有限公司), a company established in the PRC with limited liability
“Yulin Yunxiang” or “Project Company”	Guangxi Yulin Yunxiang Real Estate Co., Ltd.* (廣西玉林雲香置業有限公司), a company established in the PRC with limited liability and is directly wholly-owned by Yulin Pharmaceutical as at the date of this announcement
“%”	per cent

\* *the English translation of the Chinese name for identification purpose only.*

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

Hong Kong, 31 May 2019

*As at the date of this announcement, the Board comprises Mr. AN Yubao, Ms. LI Qian, Professor ZHU Quan and Mr. TANG Ning as executive Directors; Mr. SU Yuanfu, Mr. FENG Zhongshi and Ms. CHEN Yujun as independent non-executive Directors.*