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CHINA MEDICAL SYSTEM HOLDINGS LIMITED

康哲藥業控股有限公司*

(於開曼群島註冊成立的有限公司)

(股份代號: 867)

**Voluntary and Business Update Announcement
Acquisition of a Dermatology Specialty Company
Luqa Ventures Co., Limited**

The Board of Directors (the “Directors”) of China Medical System Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) is pleased to announce that on 1st February 2021, the Group through a wholly-owned subsidiary of the Company acquired all the issued and outstanding shares of Luqa Ventures Co., Limited (the “Target Company”), a dermatology specialty company, from certain third party sellers (the “Sellers”) (the “Acquisition”). Following the Acquisition, the Target Company became a wholly-owned subsidiary of the Company, and the financial results, assets and liabilities of the Target Company will be consolidated into the accounts of the Group.

PRODUCT PORTFOLIO OF THE TARGET COMPANY

The Target Company has an extensive product portfolio of prescription medicines, medical devices, medical aesthetic solutions and skin care products, that meets the diversified needs of consumers and provides the market with safe and effective solutions for a broad range of skin conditions.

Prescription Medicines and Medical Devices

Aethoxsklerol® (Polidocanol Injection, Launched in Mainland China)

Aethoxsklerol® (polidocanol injection) is a cleansing sclerosant that can act locally on the vascular endothelium for the treatment of the sclerotherapy of small to large varicose veins,

varicose of central veins of spider veins and reticular veins. Aethoxysklerol® was first approved in Germany, and subsequently approved in the United States, Japan and multiple other European countries. It is the world's leading brand for the treatment of varicose veins in the lower extremity with a track record of decades of clinical application and has won many Chinese and foreign guidelines/consensus recommendations. The German high quality production technology of Aethoxysklerol® makes it ensure the appropriate concentration and purity of its active ingredient, improve curative effects while reducing the recurrence of complications. Aethoxysklerol® is protected by formulation/use patents, with a protection period until 2030.

Varicose veins in the lower extremity are a group of syndromes of lower limb blood infusion, superficial varicose veins due to obstruction of reflux, venous hypertension, and skin microcirculation disorders caused by great saphenous vein valve insufficiency, venous obstruction, and muscle pump insufficiency. Chinese and foreign guidelines recommend that sclerotherapy should be applied to all types (C0-C6) patients with varicose veins in the lower extremity. The prevalence in China of superficial varicose veins in the lower extremity is 8.56%, with about 100 million patients, which provides a vast potential market for Aethoxysklerol®.

Stratamark™ / Strataderm® (Self-drying Silicone Scar Therapy Gels, Launched in Mainland China and Hong Kong)

Stratamark™ and Strataderm® are self-drying silicone scar therapy gels. Both products are indicated for prevention and improvement of hypertrophic scar, and are classified as type II medical devices in Mainland China. Stratamark™ and Strataderm® have been on market in countries/regions including the United States (Type I medical device), Europe (Type IIa medical device) and Australia (Type I medical device) for several years and received good recognition with clinical studies indicated for different population to satisfy diversified clinical needs.

Stratamark™ is widely applied to prevent and treat stretch marks in Europe and the United States resulting from pregnancy, weight gain or loss, adolescent growth spurts, etc. with a clinically proven efficacy and safety. Stratamark™ is proven to safely and effectively prevent and treat stretch marks and related skin itching and discomfort in two randomized clinical trials which enrolled 577 patients in total in Europe and Australia, respectively. Once daily application leads to 70.2% stretch mark prevention and 80% improved in existing stretch marks. The number of new births in China is nearly 15 million per year, with a growing concern amongst China's pregnant women on the prevention of pregnancy related skin conditions. Stratamark™ could provide people in need of treatment, a safe, effective, and reliable choice.

Strataderm® is indicated for the prevention of hyperplasia and improvement of old scars in various parts for a wide population. Applying once to twice daily, Strataderm® can improve patient compliance by reducing application frequency. Silicone gel is recommended by the scar treatment guidelines as a first-line option for the treatment of hypertrophic scars. Strataderm® can significantly increase the elasticity and compliance of the scars, depigment the skin to a natural look, and smoothen the scar faster.

Zalain® (2% Sertaconazole Nitrate Cream, launched in Mainland China and Hong Kong)

Zalain® (2% Sertaconazole Nitrate Cream) is a topical sertaconazole nitrate cream, which belongs to family of imidazole broad-spectrum antifungal for the treatment of fungal infections of the epidermis, such as tinea pedis, tinea cruris, tinea corporis, tinea barbae, tinea manuum and tinea versicolor. It is the first choice for the treatment of epidermal fungal infections, with higher antibacterial activity and lower resistance rate.

Epidermal fungal disease is prevalent and very common in China. It is estimated that there are approximately 750 million people with epidermal fungal infections in China, of whom 250 million have tinea pedis. Zalain® is marketed in more than 50 countries worldwide, covering important international markets such as the United States and Europe. As an innovator drug, Zalain® has enjoyed advantages of having fewer competitors, high academic status and broad market space in China, and provides a safer and effective treatment option to the Chinese patients.

Medical Aesthetic Solutions and Skin Care

In the field of medical aesthetic solutions and skin care, the Target Company has a core product portfolio comprising a series of high-end products mainly authorized from several leading European brands. The medical aesthetic solutions mainly include products authorized from the Spanish leading medical aesthetic brand Mesoesthetic and the product portfolio from the Swiss well-known hyaluronic acid fillers brand Neauvia. Medical skin care products mainly consist of Mesoesthetic's medical skin care products and the professional care brands 「Repavar」 and 「Atopic Piel」 dedicated to fragile skin from the well-known Spanish pharmaceutical company Ferrer.

Among the medical aesthetic solutions, 「mesohyal」, a subsidiary brand of Mesoesthetic's medical aesthetic range, are formulated with exclusive formula with a hyaluronic acid base and selected active ingredients of recognised therapeutic efficacy in accordance with pharmaceutical quality standards. Compared with other skin booster products currently available on the market, this extensive range of products give physicians versatile treatment options for a tailor-made patient centric solution, breaking the status quo of single product. The

anti-aging method, 「mesoéclat」, is a professional non-injectable treatment for static wrinkle removal, restoring vitality and elasticity of the skin. Neuvia's hyaluronic acid (HA) products series (multi-specification hyaluronic acid for injection) are the next generation of HA fillers. Based on a unique cross linker technology SMART CROSSLINKING TECHNOLOGY with polyethylene glycol (PEG), Neauvia HA fillers have the advantages of excellent rheology, high biocompatibility, and good integrity, making it both safe and durable and can thus enhance clients' trust.

Among the medical skin care products, the Target Company has Mesoesthetic's medical skin care products and Ferrer's two personal care brands which seeks for safe, efficient and professional skin solutions and are widely praised by many bloggers in Chinese social media network. The Target Company's medical skin care products not only provide Chinese consumers with professional skin care experience, but also serve as an addition to professional medical aesthetic solutions, fortifying and maintaining efficacy whilst satisfying the unmet personal care needs of different consumers.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is deeply involved in the field of skin health and has a reserve of marketed products and short, medium and long-term innovative product portfolio, including dermatology line products such as the Hirudoid (Mucopolysaccharide Polysulfate Cream), Lamisil (terbinafine hydrochloride tablets), both of which are marketed in Mainland China, and Tildrakizumab, an innovative bio-therapeutic product marketed overseas and at the clinical stage of registration in Mainland China, and which has started to gain brand awareness. The Group believes that skin health and high-end medical aesthetic solutions market has excellent prospects. In order to expand its market share, one of the Group's development strategies is to diversify and enrich the product matrix and expand the territory of related field by making investments.

The Target Company's product portfolio will be complimentary to the Group's existing dermatology line products and together they will strengthen and bolster the Group's medical aesthetic and skin care product portfolio, providing a significant development opportunity for the Group to advance into the field of medical aesthetic solutions and skin care. The Group plans to build a comprehensive skin health product matrix consisting of prescription medicines, medical devices and medical aesthetic solutions and skin care products based on which the Group will develop its market in the field of skin health. Meanwhile, the Group will leverage on its advantage in its commercialisation capabilities in the Chinese market, a team of experienced professionals and a professional and efficient academic promotion system to fully exploit the opportunities presented by hospitals, professional medical institutions, online and offline retail channels to further penetrate the Chinese market, and to raise the market awareness of the products as well as their brands. Looking forward, the Group will continue to introduce

global high-quality products, promote innovative research on skin lines, explore investment opportunities, develop and build a China's leading skin health and high-end medical aesthetic solutions line with first-rate competitiveness, and continue its growth to meet Chinese consumers' increasingly diverse health and beauty needs.

After having considered the above, the Directors believe that the terms of the agreement in relation to the Acquisition, which are based on normal commercial terms, are fair and reasonable and in the best interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiry, the Sellers are third parties independent of the Company and its connected persons (as defined in the Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Therefore, the Acquisition does not constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. As all relevant applicable percentage ratios (as defined in the Listing Rules) of the Acquisition are less than 5%, the Acquisition does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

This announcement is made on a voluntary basis by the Company and aims to inform potential investors and shareholders of the Company of the latest business developments of the Group.

By order of the Board
China Medical System Holdings Limited
Lam Kong
Chairman

Hong Kong, 1st February 2021

As at the date of the announcement, the directors of the Company comprise (i) Mr. Lam Kong, Mr. Chen Hongbing and Ms. Chen Yanling as executive Directors; and (ii) Mr. Wu Chi Keung, Mr. Leung Chong Shun and Ms. Luo, Laura Ying as independent non-executive Directors.