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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 Medical Aesthetic Focused Ultrasound
Technology Platform Company

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 May 17th 2021, the Group through a wholly-owned subsidiary of the Company entered into an equity transfer agreement and a capital increase agreement with a third-party seller SHANGHAI A&S SCIENCE TECHNOLOGY DEVELOPMENT CO., LTD (the “Seller” or “A&S SCIENCE TECHNOLOGY”) and SHANGHAI CARNATION MEDICAL TECHNOLOGY CO., LTD (the “Target Company”). Following this transaction, the Group will hold approximately 64.81% of the equity of the Target Company, which will become a non-wholly-owned subsidiary of the Company and the financial results, assets and liabilities of which will be consolidated into the accounts of the Group.

ABOUT THE TARGET COMPANY AND THE PRODUCT

The Target Company is a R&D and manufacturing company focused on providing medical aesthetic solutions using focused ultrasound technology. Focused ultrasound technology, one of the innovative technologies of non-invasive body shaping technology, is a non-invasive, green, and safe technique. It converts electrical energy into sound energy through an ultrasound transducer, emits focused ultrasound, acts on the target area tissue, and uses the thermal, cavitation, and mechanical effects of ultrasound for disease treatment and medical aesthetic. Compared with microwave, radio frequency, and freezing technology, ultrasound has the advantages of being penetrable, focusing, non-invasive, non-destructive channels, and acting

on targets at different depths, etc. In addition to body shaping, the Target Company also applies the technology to facial shaping, facial wrinkle removal, skin tightening, freckles removal, scar removal and other fields, and related products are under development. The former parent company of the Target Company, A&S SCIENCE TECHNOLOGY, has focused on the development and application of ultrasonic technology for over 20 years and is the world's leading innovative company providing integrated solutions in oncology, gynaecology and other medical fields.

FUBA5200 Focused Ultrasound Body Contouring System

FUBA5200 Focused Ultrasound Body Contouring System is currently the most important self-developed fat reduction and body shaping product with independent intellectual property rights of the Target Company. It is an instrument that focuses ultrasound energy on the subcutaneous fat layer, uses the mechanical and cavitation effects of ultrasound to crush the target fat cells and then dissolve them, thereby eliminating excess fat on the body surface to achieve the purpose of fat reduction and body shaping. The previous-generation product has completed a multi-center, open, objective-controlled clinical trial with a sample size of 120 cases. After treatment, 109 subjects who met the trial protocol had an average reduction in waist and abdomen at the umbilical level of 3.42 ± 1.68 cm, and 95% confidence interval is 3.12~3.73cm. The current iterative product has been improved in terms of transducers, power sources and other product levels, which not only improves the treatment effect but also reduces the entire treatment time and cycle. Currently the pivotal clinical study of this product is about to conduct. The FUBA5200 Focused Ultrasound Body Contouring System has two invention patents, and the maximum protection period is up to May 2038.

FUBA5200 Focused Ultrasound Body Contouring System is an ultrasonic fat reduction product in non-invasive body shaping. The market size of China's shaping market is expected to reach about 10.5 billion RMB in 2020, and the future growth rate will be higher than that of the overall medical aesthetics market.

FUBA5200 Focused Ultrasonic Body Contouring System has the characteristics of non-invasive and non-marking, significant effect, health and safety, intelligent control, on-demand body shaping, no dieting, and compact and portable. It can provide a safe, effective, and reliable choice for Chinese non-invasive fat reduction shaping consumers.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Group believes that the skin health and high-end medical aesthetic solutions market has excellent prospects. Therefore, the Group consistently makes diversified investments and deploys cutting-edge innovative product matrix in skin management, medical aesthetic

technology and related fields to build a leading skin management and high-end medical aesthetic brand in China with first-rate competitiveness, and fulfil the increasingly diverse needs for skin management and beauty of Chinese consumers.

The Target Company is devoted to the R&D, production and application of the focused ultrasound technology in the medical aesthetic field. Through the transaction, the Group will utilize the focused ultrasound technology platform to develop and produce FUBA5200 Focused Ultrasound Body Contouring System and other fat reduction products, and life and medical beauty products simultaneously, and strive to become the important leader in medical aesthetic device field.

As the main treatment method of medical aesthetics, the device therapy market will show rapid growth, and high-end medical aesthetic device products will become a scarce resource in the industry. Upon the transaction, the Group will deepen the advantageous layout of products in the medical aesthetic product line, optimize and upgrade the structure and dimension of the products, create synergies with the Group's existing dermatology and medical aesthetic skin care product lines, further improve the strategic map of skin health and high-end medical aesthetic products, gradually build comprehensive competitiveness in this field through multiple channels.

After having considered the above, the Directors believe that the terms of the agreements in relation to the transaction, 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 Seller and the Target Company 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 transaction 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 transaction are less than 5%, the transaction 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, May 17th 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.