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CHINA MEDICAL SYSTEM HOLDINGS LIMITED
康哲藥業控股有限公司*
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 867)

Business Update Announcement

Framework Agreement with Destiny Pharma

The Board of Directors (the “**Board**”) of China Medical System Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce that the Group, through a wholly-owned subsidiary of the Company, has entered into a binding investment, development and commercialisation framework agreement (“**Framework Agreement**”) with Destiny Pharma plc (“**Destiny Pharma**”).

Pursuant to the Framework Agreement, the Group and Destiny Pharma will, within two months following the entry into force of the Framework Agreement (or any later date, being not greater than twelve months from the entry into force of the Framework Agreement, agreed between the parties thereto), negotiate in good faith a detailed agreement by reference to the Framework Agreement under which (i) the Group will acquire certain rights to develop, manufacture, sell and commercialise certain assets (“**Assets**”) in Destiny Pharma’s current product portfolio (“**Products**”) in China or other Asian countries (excluding Japan) (“**Territory**”), including, among others, relevant intellectual property, regulatory approvals and product data or documentations; and (ii) on reaching the above agreement, the Group will make an equity investment in Destiny Pharma.

The Framework Agreement sets out the key arrangements under which the Group would acquire those rights and coordinate the research and clinical development of the Assets. The Group will undertake research and clinical development of the Assets to develop products that the Group will then market in the Territory. Under this collaboration arrangement, the Group will further enrich and extend its product portfolio upon occurrence of the perspective commercialisation of the Products in the Territory.

About the Products

- **XF-73 (Phase I/IIa studies have been completed in the EU & the US, Phase IIb is being planned)**

Exeoporfinium chloride (XF-73) Nasal Gel is mainly used for nasal decolonisation of *Staphylococcus aureus* (*S. aureus*) to prevent postoperative *S. aureus* infection.

XF-73 is a synthetic dicationic porphyrin derivative with antibacterial activity. It has a novel mechanism of action which differs from that of any existing families of antimicrobial agents. Published research studies indicate that it is bactericidal and acts via a bacterial cell-surface mechanism that affects membrane permeability and integrity, leading to release of intracellular components and bacterial cell death, without lysis. XF-73 is active against all tested *S. aureus* strains including methicillin-resistant and multi-drug resistant strains, it exhibits rapid bactericidal activity against *S. aureus* and has a low potential for development of bacterial resistance. The completed Phase I/IIa clinical trial results show that XF-73 Nasal Gel is effective and safe for the reduction of the nasal burden of *S. aureus*. In October 2015, the US FDA granted Qualified Infectious Disease Product designation to XF-73 for the prevention of post-surgical Staphylococcal infections. In addition, XF-73 has two authorized patents in China, one is a compound patent (patent number CN100360536C), and the other is a use patent (patent number CN101035529 B).

S. aureus is a clinically isolated common bacteria. China Antimicrobial Resistance Surveillance System indicates that it ranked first in Gram-positive bacteria and it is the main pathogen of nosocomial infection. Studies have shown that *S. aureus* nasal colonization rate is very high, and bacterial colonization will increase the risk of hospital acquired infection. The World Health Organization (WHO) Surgical Safety Guidelines point out that nasal colonization of *S. aureus* is a risk factor for postoperative infection. People who therefore need nasal decolonization of *S. aureus* include, among others, orthopedic surgery patients, cardiothoracic surgery and ICU patients, and there is a wide range of potential target patients. Furthermore, so far, no drugs have been approved for nasal decolonization in China. So once approved, it is expected that XF-73 will have broad market prospects in China.

- **XF-70 (Pre-clinical stage)**

XF-70's potential indication to be developed is the treatment of skin infections, and its pre-clinical data will support a wide range of indications including impetigo, acne, atopic dermatitis, bacterial infected skin lacerations, candida skin/vaginal infection and treatment of serious bacterial burn wound infections. The product also has patent family protection.

- **DPD-207 (Pre-clinical stage)**

DPD-207 is a derivative of XF-73 complexed with an iron (Fe) moiety within its porphyrin ring. This compound may be useful for the treatment of ocular microbial infections. It also has patent family protection.

Risk Warning

There are risks that such Products in the pipeline could not be launched in the market due to the failure of the clinical trials, accordingly shareholders and investors are advised to exercise caution in dealing in the shares and other securities of the Company.

About Destiny Pharma

Destiny Pharma is an established, clinical stage, innovative biotechnology company focused on the development of novel medicines that represent a new approach to the treatment of infectious disease. These potential new medicines are being developed to address the need for new drugs for the prevention and treatment of life-threatening infections caused by antibiotic resistant (AR) bacteria, often referred to as “superbugs”. Tackling anti-microbial resistance has become a global imperative recognised by the WHO and the United Nations, as well as the G7 and the G20 countries. On 4 September 2017, Destiny Pharma’s securities became listed on London’s Alternative Investment Market (AIM: DEST). For more information, please visit <https://www.destinypharma.com>.

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

Hong Kong, 4 September 2017

As at the date of the announcement, the directors of the Company include (i) Mr. Lam Kong, Mr. Chen Hongbing, Ms. Chen Yanling and Ms. Sa Manlin as executive directors; and (ii) Mr. Cheung Kam Shing, Terry, Mr. Wu Chi Keung and Mr. Huang Ming as independent non-executive directors.