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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)

INSIDE INFORMATION

LETTER OF INTENT IN RELATION TO POTENTIAL DISPOSAL OF SHARES BY CONTROLLING SHAREHOLDERS

This announcement is made by Consun Pharmaceutical Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company was informed by Central Success Developments Limited (“**Central Success**”), Double Grace International Limited (“**Double Grace**”), each being a controlling shareholder (as defined under the Listing Rules) of the Company, and Ms. Li Qian (“**Ms. Li**”), being an executive Director and a controlling shareholder (as defined under the Listing Rules) of the Company by virtue of holding 100% of the voting interest in Double Grace, that on 25 July 2022, a non-legally binding letter of intent (the “**Letter of Intent**”) in relation to a potential disposal (the “**Potential Disposal**”) of certain shares in the Company was entered into among (i) Central Success, Double Grace and Ms. Li (as vendors) (collectively the “**Potential Vendors**”); (ii) Mr. An Meng, an executive Director, the chairman of the Board and one of the beneficiaries of the discretionary trust holding the entire issued share capital of Central Success (as guarantor); and (iii) Wepon Pharmaceutical Holding Group Co., Ltd* (萬邦德醫藥控股集團股份有限公司) (as purchaser) (the “**Potential Purchaser**”).

Pursuant to the Letter of Intent, Central Success, Double Grace and Ms. Li intended to respectively dispose of 101,913,049, 128,426,000 and 7,717,899 shares in the Company (together, the “**Sale Shares**”), and the Potential Purchaser intended to acquire the Sale Shares at a consideration tentatively agreed at around RMB9.17 (equivalent to approximately HK\$10.64) per Sale Share, which may be adjusted subject to, among other things, the due diligence review and the valuation to be conducted by the Potential Purchaser. As informed by the Potential Vendors, the tentative price per Sale Share was determined based on the Potential Purchaser’s valuation on the Group, which was valued at approximately RMB7.4 billion (equivalent to approximately HK\$8.584 billion). Accordingly, subject to the entering into of a formal share purchase agreement (the “**Formal Agreement**”) among the parties, an aggregate of 238,056,948 Sale Shares may be disposed of off-market, representing approximately 29.5% of the existing issued share capital of the Company as at the date of this announcement. It is the intention of the Potential Vendors and the Potential Purchaser that the Potential Disposal will not proceed if it triggers a mandatory unconditional cash offer for all the issued shares in the Company under The Hong Kong Code on Takeovers and Mergers.

The Letter of Intent is not legally binding, save for the provisions regarding exclusivity, confidentiality, costs and expenses, termination and governing law. The exclusivity will expire on 31 October 2022.

The Potential Vendors have further informed the Board that, to their best knowledge, information and belief, the Potential Purchaser is an independent third party of the Company and its connected person(s) (as defined in the Listing Rules).

The Potential Purchaser is a company established in the People's Republic of China with its shares listed on the Shenzhen Stock Exchange (Stock Code: 002082.SZ) and is principally engaged in the business of research and development, manufacturing and sales of pharmaceutical products including modern Chinese medicines and active pharmaceutical ingredient (API) and medical devices. Both of the Potential Purchaser and the Company are on the Top 100 Chinese medicine enterprises in 2021 and share a common goal in the development of modern Chinese medicine. The cardio and cerebrovascular products of the Potential Purchaser and the nephrology products of the Company are all for the treatment of chronic diseases. The orthopaedic devices, hepatobiliary, gastrointestinal, gynaecological and paediatric products of the Potential Purchaser and the Company's existing "1+6" product group could generate stronger synergies. If the Potential Disposal materializes, having the Potential Purchaser as a substantial shareholder of the Company could not only enhance the level of corporate governance of the Company, but also complement with each other's advantages as well as empower each other that help strengthen the core competitiveness of the Company by forming a strong alliance between the parties and build a solid foundation for future development.

Further announcement(s) will be made by the Company to inform the shareholders and potential investors of the Company as and when appropriate.

The Potential Disposal is subject to, among other things, the signing of the Formal Agreement and the approval from or completion of the filing with the relevant administrative authorities or regulatory bodies. Therefore, the Potential Disposal may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the shares in the Company.

For illustration purpose only, amounts in RMB in this announcement have been translated into HK\$ at the rate of RMB1=HK\$1.16.

By order of the Board of
Consun Pharmaceutical Group Limited
An Meng
Chairman

Hong Kong, 25 July 2022

As at the date of this announcement, the Board comprises Mr. An Meng, Ms. Li Qian, Professor Zhu Quan and Mr. Xu Hanxing as executive Directors; Ms. Zhang Lihua as a non-executive Director; and Mr. Su Yuanfu, Mr. Feng Zhongshi and Ms. Chen Yujun as independent non-executive Directors.

** For identification purpose only*