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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)

Voluntary and Business Update Announcement

Acquisition of a Dermatology-grade Skincare Products Platform Company and Achieving Strategic Collaboration

The board (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 the Group through a subsidiary of the Company – a dermatology medical aesthetic company (“CMS Aesthetics”) made equity investment in Heling Medical (Guangzhou) Company Limited (禾零医药(广州)有限公司) (“Heling”) and obtained 60% equity interest in Heling (the “Equity Investment”). Following the Equity Investment, Heling became a subsidiary of the Company. Heling’s current products include Heling soothing moisturizing repair cream, Heling soothing repair lotion and Heling soothing moisturizing bath oil (the “Dermatology-grade Skincare Products” or the “Products”). On 19 August 2022, the Group through CMS Aesthetics entered into an Exclusive License Agreement with Heling for the Dermatology-grade Skincare Products.

THE DERMATOLOGY-GRADE SKINCARE PRODUCTS

The Dermatology-grade Skincare Products are composed of a variety of mild ingredients with Level-1 safety risk, containing no preservatives, mineral oil or alcohol. They are mild, non-irritating and suitable for sensitive skin. The cosmetic efficacy tests of the Products were completed in cooperation with Guangdong Provincial Dermatology Hospital. The four preferred core ingredients of the Products are 4-tert-butylcyclohexanol, butyrospermum parkii

(shea butter) extract, saccharide isomerate and glycyrrhiza inflata root extract. The four ingredients play a synergistic role through reasonable combination, which can quickly moisturize and soothe the skin, helping to repair the skin barrier. With the advantage of the combination of cleansing and moisturizing, the Products provide a variety of care options for consumers with different skin conditions.

With the awakening of consumers' awareness of skin care, their frequent repurchases and the booming online sales of cosmetics in China, the market of dermatology-grade skincare products is growing rapidly and has a broad prospect. According to Euromonitor statistics, the market size of dermatology-grade skincare products in China reached RMB25.06 billion in 2021, with a compound annual growth rate (CAGR) of 32.5% from 2017 to 2021.

HELING

Heling's research and development is based on pharmacy, dermatology and biology. It focuses on the research, development and production of dermatology-grade skincare products. Heling provides systematic and suitable dermatology-grade skincare products for various skin problems in dermatology and medical aesthetic specialty to meet the needs of special skin care functions.

REASONS FOR AND BENEFITS OF THIS COLLABORATION

This collaboration consists with the Group's strategy to continuously expand into the medical aesthetic field. As high-quality products developed in Mainland China, the Dermatology-grade Skincare Products will enrich the combination of the dermatology-grade skincare products of the Group, synergize with the Group's current dermatological products, provide the consumers with skincare solutions combining good efficacy and safety and satisfy Chinese consumers' differentiated need of safe skin care.

The Group will fully utilise its resources in dermatology specialty field to stimulate the market potential of the Dermatology-grade Skincare Products through e-commerce and retail channels, promoting "Heling" into China's leading dermatology-grade skincare product brand. Heling also provides the Group with a research and development platform for dermatology-grade skincare products. It will carry out research and development of a series of dermatology-grade skincare products and accelerate the category expansion and iteration of dermatology-grade skincare products to promote the rapid development of the dermatology medical aesthetic business, consolidating and enhancing the CMS Aesthetics's comprehensive competitiveness in China's dermatology medical aesthetic field.

Having considered the above, the Directors are of the view that this collaboration is on normal commercial terms and such terms are fair and reasonable, and that this collaboration is in the 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, this transaction does not constitute a connected transaction of the Company under Chapter 14A of the Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). This transaction does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules either.

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, 19 August 2022

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. Leung Chong Shun, Ms. Luo Laura Ying and Mr. Fung Ching Simon as independent non-executive directors.