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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 ANNOUNCEMENT ADOPTION OF SHARE AWARD SCHEMES RELATED TO CMS NEW PRODUCTS

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 Board has adopted the CMS Share Award Scheme (the “Scheme”).

INTRODUCTION

For the past six years, the Group has consistently focused on innovative strategies, culminating in significant achievements. The Group has been dedicated to improving its research and development in innovation, and these efforts are now yielding tangible results. Recently, four of the Group’s new products have commenced commercialization, a step highlighted by their addition to the National Reimbursement Drug List. This is an important milestone for the Group and signals the start of their widespread adoption in clinical practice, showing a transition towards new, innovative approaches.

At the same time, the Group has put in place an organizational structure to support its innovation efforts. This structure is crucial for fostering an environment conducive to ongoing, high-quality development. The Group is now embarking on a new chapter, characterized by the launch of new products, the adoption of a refreshed corporate identity, and the expectation of achieving new heights of success.

A brief profile of each of the four new products launched by the Group so far is set out as follows:

Methotrexate Injection (Metoject): the first subcutaneously administered methotrexate prefilled injection in China, indicated for the treatment of severe recalcitrant disabling psoriasis, which is not adequately responsive to other forms of therapy such as phototherapy, PUVA, and retinoids. Metoject has been included in category A of the National Reimbursement Drug List.

Diazepam Nasal Spray (VALTOCO®): the first Diazepam Nasal Spray in China and the first drug approved in China for the treatment of seizure clusters. VALTOCO® is indicated for the acute treatment of intermittent, stereotypic episodes of frequent seizure activity (i.e. seizure clusters, acute repetitive seizures) that are distinct from a patient’s usual seizure pattern in patients with epilepsy 6 years of age and older. VALTOCO® has been included in category B of the National Reimbursement Drug List.

* For identification purpose only.

Sucoferric Oxyhydroxide Chewable Tablets (Velphoro®): the first iron-based, non-calcium-phosphorus binding agent approved for marketing in China, which was used for the control of serum phosphorus (sP) levels in adults with chronic kidney disease (CKD) on hemodialysis (HD) or peritoneal dialysis (PD), and for the control of sP levels in paediatric patients 12 years of age and older with CKD stages 4-5 (defined as glomerular filtration rate <30mL/min/1.73 m²) or CKD on dialysis. Velphoro® has been included in category B of the National Reimbursement Drug List.

Tildrakizumab Injection (ILUMETRI): an innovative biopharmaceutical, indicated for the treatment of adults with moderate-to-severe plaque psoriasis who are candidates for systemic therapy or phototherapy. ILUMETRI is a humanized IgG1/κ monoclonal antibody designed to selectively bind to the p19 subunit of interleukin-23 (IL-23) and inhibit its interaction with the IL-23 receptor, leading to inhibition of the release of pro-inflammatory cytokines and chemokines. ILUMETRI has been included in category B of the National Reimbursement Drug List.

CMS SHARE AWARD SCHEME

The Board has introduced the CMS Share Award Scheme as a strategic measure to facilitate the steady rollout of innovative products in a sustainable and financially responsible manner going forward. The Scheme is designed to expedite the launch of new products, thereby enabling a swifter realization of their clinical and commercial potential. It is crafted to establish a positive incentive framework that encourages continual innovation and operational excellence.

1. Administration and Scope

The Scheme was adopted on 17 January 2024, and has a validity period of 10 years from the date of adoption. The Company has engaged an independent professional trustee to administer the CMS Scheme, and the trustee will use the Company's funds to purchase the Company's shares (the "Shares") from the secondary market. No more than 100 million Shares will be granted at nil consideration to eligible participants, comprising the Group's core management, key employees in the product team (including employees responsible for product launch, research and development, and registration), key employees in the sales team (including employees responsible for marketing and promotion), and key employees in the operations team.

The Scheme shall be subject to the administration of the Board whose decisions on all matters arising in relation to the Scheme shall be final and conclusive. The Board has authorized to establish a management committee (the "Management Committee"), which will exercise such powers as delegated by the Board.

2. Performance Targets

The Board or a management committee will set performance targets reflecting various factors including the overall financial performance of the Group, the cumulative sales revenue of particular products, the launch count of new products within a given timeframe, and/or achievement of additional specified metrics. The allocation of share awards will be subject to evaluation of each individual's contributions to meeting those targets. This aims to motivate employees, reinforce their dedication to the Group's success, and encourage continuous engagement. The goal is to support the Group's long-term growth and prosperity.

The Board currently intends to set performance targets based on the number of new products launched by the Group, as well as the sales of new products.

(a) Share Awards for the Launch of new Products

Under the Scheme, the Group will implement an incentive programme with three-year (or other durations to be determined by the Board) cycles to encourage the introduction of new products. Eligible participants who contribute to the launch of new products will be considered for share awards. The vesting of these awards is contingent upon the achievement of defined product launch targets within the specified timeframes. The criteria for what constitutes a qualified new product include, but are not limited to, the anticipated investment,

the potential for sales revenue, and the expected profitability of the new product, and the performance targets will be set accordingly.

(b) Share Awards for the Sale of new Products

The Group will set sales targets for the new products and other relevant existing products within a specified period. Vesting of the relevant share awards will depend on whether such sales targets are met. These awards will be allocated to eligible participants who are expected to make significant contributions to achieving the outlined sales performance.

3. The First Batch of Share Awards

A total of 10,500,000 Shares has been reserved as the first batch of awards under the Scheme with the following performance targets. As at the date of this announcement, no awards have been granted.

(a) Share Awards for the Launch of new Products

The Group has allocated 4,000,000 Shares for awards under the Scheme which is contingent on the launch of at least 10 new products during 2020 to 2024. During the period from 1 January 2020 up to the date of this announcement, the Group has launched 7.139 new products for the purpose the Scheme.

(b) Share Awards for Sales of new Products

The Group has launched four key new products. The sales targets for the initial batch of awards pertain to three of these products: Methotrexate Injection (Metoject), Diazepam Nasal Spray (VALTOCO), and sucroferric oxyhydroxide chewable tablets (Velphoro®). Should the cumulative sales revenue of these three products reach RMB2.5 billion between 2024 and 2026, a total of 6,500,000 Shares will be granted. Share awards relating to the sales of Tildrakizumab (ILUMETRI) are expected to be governed by a separate share award scheme to be adopted by CMS Skinhealth, one of the Group's independent operating entities.

4. Future Share Awards

The Group will periodically review its product pipeline, progress of commercialization and sales metrics and grant new batches of awards as appropriate.

(a) Share Awards for the Launch of new Products

Following the conclusion of the initial product launch performance target cycle, the subsequent cycle will be initiated. The Board will set performance targets determined with reference to the number of new products launched within a specified timeframe. Tentatively, for the upcoming three-year cycle spanning 2025 to 2027, the objective is to introduce 12 new products. In alignment with achieving this goal, a reward of 6,000,000 Shares is tentatively proposed.

(b) Share Awards for Sales of new Products

As and when new products are launched, the Group will annually assess and set sales targets related to such new products and grant awards based on set sales targets.

Going forward, share awards under the Scheme are expected to be granted on a rolling basis with reference to the launch and sales of new products, and in alignment with the Group's product milestones. The Company will make further announcements or otherwise provide updates, where appropriate, related to the Scheme's progress.

5. Vesting

Share awards granted to eligible participants will be vested upon meeting the specific performance targets, which include the successful launch of new products within a designated timeframe, and the achievement of sales targets for these new products within the set period. Upon the achievement of these performance targets, the awards will vest and the relevant Shares will be transferred to the selected eligible participants.

MISCELLANEOUS

In addition, the Group's independent operating entities, CMS Skinhealth, CMS Vision, and Rxilient Health, will establish separate share award schemes tailored to their respective business progress. Within CMS Skinhealth, Tildrakizumab (ILUMETRI), a key new product, will be evaluated under its own share award scheme, separate from the Scheme.

The Scheme constitutes a share scheme under Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and shall be subject to the applicable disclosure requirements under Rule 17.12 of the Listing Rules. However, it does not constitute a scheme involving the issue of new shares as referred to in Chapter 17 of the Listing Rules. Therefore, the adoption of the Scheme is not subject to the approval by the shareholders of the Company.

This announcement is made on a voluntary basis.

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

Hong Kong, 27 March, 2024

As at the date of this announcement, the Directors 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.