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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)

CONTINUING CONNECTED TRANSACTIONS RELATED TO DIAZEPAM NASAL SPRAY (VALTOCO®) AMENDED TERMS AND REVISED ANNUAL CAPS

Reference is made to the announcement of the Company dated 28 August 2023 regarding the continuing connected transactions arising from the Asset Assignment Agreements which the CMS Parties have entered into for Diazepam Nasal Spray (VALTOCO®) in the Territories. On 12 September 2023, the CMS Parties and A&B entered into agreements to amend certain terms of the Asset Assignment Agreements and as a result the annual caps for the continuing connected transactions have been revised.

Reference is made to the announcement of the Company dated 28 August 2023 (the “**CCT Announcement**”) regarding the continuing connected transactions arising from the Asset Assignment Agreements which the CMS Parties have entered into for Diazepam Nasal Spray (VALTOCO®) in the Territories. On 12 September 2023, the CMS Parties and A&B entered into agreements to amend certain terms of the Asset Assignment Agreements (the “**Asset Assignment Amendment Agreements**”). Unless otherwise defined in this announcement, terms and expressions defined in the CCT Announcement have the same meanings when used in this announcement.

Asset Assignment Amendment Agreements

As stated in the CCT Announcement, pursuant to the Asset Assignment Agreements, the CMS Parties had agreed to assume the liabilities of PWG under the Upstream Agreement and therefore the CMS Parties assumed all obligations to pay to Neurelis the Royalty I, i.e. royalty payments of up to US\$0.6 per Unit of Diazepam Nasal Spray (VALTOCO®) imported into or sold by any of the CMS Parties in the Territories.

Pursuant to the Asset Assignment Amendment Agreements, the CMS Parties and A&B have now agreed that the CMS Parties will pay the Royalty I to A&B instead of paying the Royalty I directly to Neurelis. The amount of the Royalty I payable to A&B by the CMS Parties will be equal to the royalty that A&B is required to pay Neurelis under the Upstream Agreement, as determined by the formula in the Upstream Agreement. The CMS Parties will have no further obligations to any royalty to Neurelis.

Revised Annual Caps

As a result of the abovementioned amendments, the Annual Caps for the continuing connected transactions arising from the Asset Assignment Agreements have been revised as follows (the “**Revised Annual Caps**”):

	<u>RMB '000</u>
For each year during the five-year period ending 31 December 2027	66,650
For each year during the five-year period ending 31 December 2032	111,080
For each year during the remaining period of the Royalty Term	150,000

According to the arrangements under the Upstream Agreement, the CMS Parties currently expect that the Royalty I will be payable until the end of 2032. Therefore, the Revised Annual Caps from 2033 onwards do not take into account any Royalty I payments.

The Revised Annual Caps for the combined Royalty I and Royalty II payments under the Asset Assignment Amendment Agreements have been determined based on the same considerations as set out in the CCT Announcement.

The Directors (including all the independent non-executive Directors) consider that the terms of the Asset Assignment Amendment Agreements are fair and reasonable, and the transactions thereunder are made on normal commercial terms and in the ordinary and usual course of business of the Group, and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the Royalty I and Royalty II payments under the Asset Assignment Amendment Agreements are on normal commercial terms or terms better to the Group and the applicable percentage ratios using the Revised Annual Caps are above 0.1% but less than 5% for each year during the Royalty Term, the transactions are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but are exempt from the circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Except as disclosed in this announcement, the terms of the Asset Assignment Agreements remain unchanged.

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

Hong Kong, 12 September 2023

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.