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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt as to any aspect of this circular, or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in Consun Pharmaceutical Group Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, stockbroker or licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)**

**(1) PROPOSED GRANT OF SHARE OPTIONS TO DIRECTORS,  
(2) PROPOSED REFRESHMENT OF THE SCHEME  
MANDATE LIMIT UNDER THE SHARE OPTION SCHEME,  
AND  
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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The notice convening the extraordinary general meeting of the Company (the “EGM”) to be held at United Conference Centre, 10th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong on 31 May 2019 (Friday) at 10:15 a.m. or immediately after conclusion of the Company’s annual general meeting to be held on the same day, whichever is later, is set out on pages 17 to 19 of this circular.

Whether or not you intend to attend the EGM in person, you are requested to complete, sign and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

Hong Kong, 16 May 2019

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“2016 AGM”	the annual general meeting of the Company held on 27 May 2016
“2019 Grant”	the grant of an aggregate of 63,000,000 share options to certain Directors and employees of the Company and its subsidiaries to subscribe for the Shares on 2 January 2019
“2019 Grantees”	the Directors and employees of the Group who are the grantees under the 2019 Grant
“Articles of Association”	the articles of association of the Company as amended, modified or otherwise supplemental from time to time
“associates”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“business day(s)”	a day (other than a Saturday, a Sunday or a public holiday) on which licensed banks are generally open for business in Hong Kong and the Stock Exchange is open for business of dealing in securities
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies Law”	the Companies Law of the Cayman Islands (as amended, supplemented or otherwise modified from time to time)
“Company”	Consun Pharmaceutical Group Limited, a company incorporated under the laws of the Cayman Islands with limited liability with its Shares listed on the Stock Exchange
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company

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## DEFINITIONS

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“EGM”	the extraordinary general meeting of the Company to be convened and held at United Conference Centre, 10th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong on 31 May 2019 (Friday) at 10:15 a.m. or immediately after conclusion of the Company’s annual general meeting to be held on the same day, whichever is later, or where the context so admits, any adjournment thereof
“Eligible Participant”	has the meaning as defined under the Share Option Scheme
“Group”	the Company and its subsidiaries
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	(i) in the case of the Proposed Grant of Share Options to Mr. An, those Shareholders other than Mr. An, his associate(s) and all the core connected persons of the Company; and (ii) in the case of the Proposed Grant of Share Options to Ms. Li, those Shareholders other than Ms. Li, her associate(s) and all the core connected persons of the Company
“Latest Practicable Date”	9 May 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange as amended, modified or otherwise supplemental from time to time
“Mr. An”	Mr. AN Yubao (安郁寶), the Chairman, an executive Director and a substantial shareholder of the Company
“Mr. Tang”	Mr. Tang Ning (唐寧), an executive Director of the Company
“Mr. Young”	Mr. YOUNG Wai Po, Peter, a former non-executive Director of the Company

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## DEFINITIONS

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“Ms. Li”	Ms. LI Qian (黎倩), the Vice Chairlady, Chief Executive Officer and a substantial shareholder of the Company
“PRC”	the People’s Republic of China which shall, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Professor Zhu”	Professor ZHU Quan (朱荃), an executive Director of the Company
“Proposed Grant of Share Options”	the conditional grant of Share Options to subscribe for an aggregate of 8,750,000 Shares under the Share Option Scheme to each of Mr. An and Ms. Li
“RMB”	the lawful currency of the PRC
“Scheme Mandate Limit”	the maximum number of Shares which may be allotted and issued upon exercise of all Share Options to be granted under the Share Option Scheme which shall not in aggregate exceed 10% of the Shares in issue as at the date of adoption of the Share Option Scheme and thereafter, if refreshed shall not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit by the Shareholders
“Share(s)”	ordinary share(s) of HKD0.10 each in the share capital of the Company
“Share Option(s)”	share option(s) of the Company granted or to be granted by pursuant to the Share Option Scheme
“Share Option Scheme”	the share option scheme adopted by the Company on 2 December 2013
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the same meaning ascribed to it under the Listing Rules
“%”	per cent.

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## LETTER FROM THE BOARD

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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)

*Executive Directors:*

Mr. AN Yubao (*Chairman*)  
Ms. LI Qian (*Vice Chairlady,*  
*Chief Executive Officer*)  
Professor ZHU Quan  
Mr. TANG Ning

*Registered office:*

Clifton House  
75 Fort Street  
P.O. Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

*Independent Non-executive Directors:*

Mr. SU Yuanfu  
Mr. FENG Zhongshi  
Ms. CHENG Xinxin

*Head office and principal place of  
business in the PRC:*

71, Dongpeng Avenue  
Eastern section, Guangzhou Economic  
and Technological Development District  
Guangzhou, PRC

*To the Shareholders*

Dear Sir or Madam,

**(1) PROPOSED GRANT OF SHARE OPTIONS TO DIRECTORS,  
(2) PROPOSED REFRESHMENT OF THE SCHEME MANDATE LIMIT UNDER  
THE SHARE OPTION SCHEME,  
AND  
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

### INTRODUCTION

The purpose of this circular is to provide you with information on the resolutions to be proposed at the EGM regarding (a) the Proposed Grant of Share Options; and (b) the proposed refreshment of the Scheme Mandate Limit under the Share Option Scheme, and to give you notice of the EGM at which the resolutions will be proposed to consider and, if thought fit, approve such matters.

### PROPOSED GRANT OF SHARE OPTIONS TO DIRECTORS

Reference is made to the announcement of the Company dated 2 January 2019 in relation to the grant of 63,000,000 Share Options (the “**63,000,000 Share Options**”) by the Company to subscribe for a total of 63,000,000 Shares in accordance with the Share Option Scheme. Among the grant of the 63,000,000 Share Options, 8,750,000 Share Options for subscription

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## LETTER FROM THE BOARD

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of 8,750,000 Shares conditionally granted to each of Mr. An and Ms. Li are subject to the approval of the Independent Shareholders at the EGM. Details of the Share Options proposed to be granted to Mr. An and Ms. Li, respectively are as below:

Name	Position in the Company	Number of Share Options proposed to be granted	Approximate percentage of Shares out of the total number of Shares in issue as at the date of grant	Approximate percentage of Shares out of the total number of Shares in issue as at the Latest Practicable Date
Mr. An	Chairman and substantial shareholder	8,750,000	0.9998%	1.0034%
Ms. Li	Vice Chairlady, Chief Executive officer and substantial shareholder	8,750,000	0.9998%	1.0034%

Details of the Proposed Grant of Share Options to Mr. An and Ms. Li are set out below:

Date of Grant: 2 January 2019

Exercise price of the Share Options: HKD4.476, which represents the highest of:

- (i) the closing price of HKD4.19 per share as stated in the daily quotations sheet of the Stock Exchange on 2 January 2019;
- (ii) the average closing price of HKD4.476 per Share as stated in the daily quotations sheets of the Stock Exchange for five business days immediately preceding 2 January 2019; and
- (iii) the nominal value of HKD0.10 per Share

Number of the Share Options granted: 8,750,000 Share Options conditionally granted to Mr. An and 8,750,000 Share Options conditionally granted to Ms. Li. The number of Share Options proposed to be granted to each of Mr. An and Ms. Li is determined by their respective contributions to the Group's overall business performance

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## LETTER FROM THE BOARD

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Number of Shares to be issued upon full exercise of the Share Options granted:	Mr. An, 8,750,000 Shares and Ms. Li, 8,750,000 Shares <sup>(Note)</sup>  With reference to the closing price of the Shares on the Date of Grant, the aggregate value of the Shares to be issued to each of Mr. An and Ms. Li upon full exercise of the Share Options granted is HK\$36,662,500
Amount payable on acceptance of the Share Option:	HK\$1.00 payable upon acceptance of the Share Options within one month from the Date of Grant
Validity period of the Share Options:	From the date upon obtaining the Independent Shareholders' approval on the Proposed Grant of Share Options to 1 January 2029 (both dates inclusive)
Vesting condition and exercise period of the Share Options:	Conditional upon the fulfillment of the performance targets within a 3-year period, the 8,750,000 Share Options shall be exercisable respectively according to the below exercise period (the " <b>Exercise Period</b> "):  (i) 30% of the 8,750,000 Share Options may be exercised on or after 1 April 2020 (the " <b>First Exercise Date</b> ");  (ii) another 30% of the 8,750,000 Share Options may be exercised on or after 1 April 2021 (the " <b>Second Exercise Date</b> "); and  (iii) the remaining 40% of the 8,750,000 Share Options may be exercised on or after 1 April 2022 (the " <b>Third Exercise Date</b> ").

*Note: The Board is of the view that the main reason for granting 8,750,000 Share Options (where such number equals to approximately 0.9998% of the total number of Shares in issue as at the date of grant) to each of Mr. An and Ms. Li is because they are the leaders and figureheads of the Group and their efforts put into the Group are important to the continuing growth of the Group.*

*Mr. An has been a director of the Company for over eight years. Mr. An, being the Company's chairman, is primarily responsible for the overall management, operations, investment and the charting and reviewing of corporate directions and strategies of the Group. Ms. Li has been a director of the Company for over seven years. Ms. Li, being the Company's vice chairlady and chief executive officer, is primarily responsible for formulating and implementing the corporate strategies, overseeing production activities, business development, research and administrative management of the Group. Attributable to their leadership and efforts put into the Group, the financial performance of the Group recorded a continuing growth in the past few financial years.*

*Having considered (i) the leadership and contributions of Mr. An and Ms. Li given to the Group as explained above; and (ii) having made reference to the amount of Share Options granted to Mr. An and Ms. Li in the past where the Board and its remuneration committee both consider that the amount of Share Options granted this time could provide sufficient incentive for Mr. An and Ms. Li to continue to put efforts and contribute to the Group to further enhance the financial performance of the Group, the Board considers that granting such number of Share Options to Mr. An and Ms. Li is reasonable and justified.*



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## LETTER FROM THE BOARD

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In addition to the vesting periods set out above, the Share Options granted to each of Mr. An and Ms. Li exercisable from 1 April 2020, 2021 and 2022 will only be vested fully upon satisfying the following conditions:

- (a) the audited revenue of the Group for the year ended 31 December 2019 (“**FY2019**”) represents an annual growth rate of 10% or higher when compared to the audited revenue of the Group for the year ended 31 December 2018 (“**FY2018**”);
- (b) the audited profit for FY2019 represents an annual growth rate of 12% or higher when compared to the audited profit of the Group for FY2018;
- (c) the audited revenue of the Group for the year ended 31 December 2020 (“**FY2020**”) represents (i) an annual growth rate of 10% or higher when compared to the audited revenue of the Group for FY2019; **or** (ii) a compound annual growth rate of 10% or higher when compared to the audited revenue of the Group for FY2018;
- (d) the audited profit for FY2020 represents (i) an annual growth rate of 12% or higher when compared to the audited profit of the Group for FY2019; **or** (ii) a compound annual growth rate of 12% or higher when compared to the audited profit of the Group for FY2018;
- (e) the audited revenue of the Group for the year ended 31 December 2021 (“**FY2021**”) represents (i) an annual growth rate of 10% or higher when compared to the audited revenue of the Group for FY2020; **or** (ii) a compound annual growth rate of 10% or higher when compared to the audited revenue of the Group for FY2018; and
- (f) the audited profit for FY2021 represents (i) an annual growth rate of 12% or higher when compared to the audited profit of the Group for FY2020; **or** (ii) a compound annual growth rate of 12% or higher when compared to the audited profit of the Group for FY2018.

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In this context, “audited profit” means the profit for the year attributable to equity shareholders of the Company as shown in the Group’s audited financial statements of the relevant financial year to be audited by the Group’s auditors.

If one of the above six vesting conditions is satisfied, one-sixth of the total number of Share Options will be qualified to be vested, and if two of the above six vesting conditions are satisfied, one-third of the total number of Share Options will be qualified to be vested, and so on. Despite the relevant Share Options are qualified to be vested, such Share Options shall be exercisable in accordance with the Exercise Period<sup>(Note)</sup>. In the event that a vesting condition is not being satisfied, the Share Options in connection with that vesting condition shall lapse.

For the avoidance of doubt, if the Group records a net loss in FY2019 or FY2020, unless the Group’s audited profit in the relevant subsequent financial year represents a compound annual growth rate of 12% or higher when compared to the audited profit of the Group for FY2018, the vesting condition in respect of the Group’s audited profit for that subsequent financial year will not be satisfied.

The Company is of the view that the above vesting conditions are fair and reasonable as the Share Options will only be qualified to be vested when there is a significant improvement in respect of the Group’s financial performance in a financial year comparing to the previous financial year, and these will provide incentive to the Share Option grantees to enhance the financial performance of the Group year by year.

The above targets are set as a basis for performance measurement under the Share Option Scheme only and do not represent the Board’s projection or forecast of the Group’s performance in the coming three years. The Board makes no representation on whether any of these targets can or may be achieved by the Group.

*Note: For examples,*

- i. *if the two vesting conditions for FY2019 are fulfilled, approximately 33.3% (i.e. one-third) of the Share Options are qualified to be vested, but only 30% of the Share Options may be exercised on or after the First Exercise Date, and the remaining approximately 3.3% (the “**Remaining 2019 Options**”) may be exercised on or after the Second Exercise Date.*

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- ii. *If the two vesting conditions for FY2020 are fulfilled, approximately 33.3% (i.e. one-third) of the Share Options are qualified to be vested. Since only 30% of the Share Options may be exercised on or after the Second Exercise Date and the Remaining 2019 Options may first be exercised on or after the Second Exercise Date, only approximately 26.7% of the Share Options regarding this tranche may be exercised on or after the Second Exercise Date, and the remaining approximately 6.6% (the “Remaining 2020 Options”) may be exercised on or after the Third Exercise Date.*
- iii. *If the two vesting conditions for FY2021 are fulfilled, approximately 33.3% (i.e. one-third) of the Share Options are qualified to be vested. Since 40% of the Share Options may be exercised on or after the Third Exercise Date, the Remaining 2020 Options plus the 33.3% (i.e. one-third) of the Share Options regarding this tranche may be exercised on or after the Third Exercise Date.*

The Shares to be allotted upon exercise of the Share Options shall rank pari passu with the Shares then in issue in all respects, including rights to voting, dividend, transfer and other rights (including those arising on liquidation of the Company) paid or made on or after the relevant exercise date of the Share Options. The Share Options themselves, however, do not carry any right to voting, dividend, transfer or other rights (including those arising on the liquidation of the Company) prior to their being exercised and the underlying Shares being issued.

No Share Option of the Company has been granted to Mr. An and Ms. Li within the 12-month period prior to the Proposed Grant of Share Options. None of the Directors (including Mr. An and Ms. Li) is a trustee of the Share Option Scheme nor has a direct or indirect interest in the trustee(s) of the Share Option Scheme. The grant of the Share Options to Mr. An and Ms. Li are not inter-conditional.

On 2 January 2019, the Proposed Grant of Share Options has been approved by the independent non-executive Directors in accordance with Rule 17.04(1) of the Listing Rules.

### **Listing Rules Implications**

Pursuant to Rule 17.04(1) of the Listing Rules and the Share Option Scheme, where any grant of share options to a substantial shareholder or an independent non-executive Director of the Company, or any of their respective associates (as defined in the Listing Rules), would result in the Shares issued and to be issued upon exercise of all Share Options already granted and to be granted (including Share Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant (i) representing in aggregate over 0.1% of the Shares in issue; and (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HKD5 million, such grant of Share Options must be approved by the Independent Shareholders in a general meeting at which the grantee, his associates and all core connected persons of the Company must abstain from voting in favour at such general meeting.

The number of Shares held by all core connected persons of the Company and the corresponding percentage of shareholding as at the Latest Practicable Date are as follows:

- (i) Mr. Young (and his close associates) – 110,050,000, representing approximately 12.62% of the total number of issued Shares in the Company;

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## LETTER FROM THE BOARD

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- (ii) Mr. An (and his close associates) – 207,129,817, representing approximately 23.75% of the total number of issued Shares in the Company;
- (iii) Ms. Li (and her close associates) – 132,970,261, representing approximately 15.25% of the total number of issued Shares in the Company; and
- (iv) Ms. Cheng Xinxin – 2,993,000, representing approximately 0.34% of the total number of issued Shares in the Company.

<b>Shareholder</b>	<b>Number of Shares as at the Latest Practicable Date</b>	<b>% of the total issued Shares in the Company as at the Latest Practicable Date</b>
Mr. Young	110,050,000	12.62%
Mr. An	207,129,817	23.75%
Ms. Li	132,970,261	15.25%
Ms. Cheng Xinxin	2,993,000	0.34%
<b>Total</b>	<b>453,143,078</b>	<b>51.96%</b>

Given that the total number of Shares to be issued upon exercise of the Share Options offered to be granted to Mr. An and Ms. Li (both being substantial shareholders), each represents in aggregate over 0.1% of the Shares in issue and having an aggregate value in excess of HKD5 million based on the closing price of the Shares of HKD4.19 on 2 January 2019, pursuant to the Listing Rules, the grant of the Share Options to each of Mr. An and Ms. Li is conditional upon the approval by the Independent Shareholders at the EGM. Mr. An and his associates shall abstain from voting in favour at the EGM in respect of the resolution approving the grant of Share Options to Mr. An. Ms. Li and her associates shall abstain from voting in favour at the EGM in respect of the resolution approving the grant of Share Options to Ms. Li. In addition, all core connected persons of the Company shall abstain from voting in favour at the EGM in respect of the resolution approving the Proposed Grant of Share Options.

As at the Latest Practicable Date, none of the Shareholders who were required to abstain from voting in favour of the resolution(s) approving the Proposed Grant of Share Options have given the Company notice of their intention to vote against the resolution(s) at the EGM.

## LETTER FROM THE BOARD

### Effect on Shareholding Structure of the Company upon Exercise of the Share Options

The shareholding structure of the Company (a) as at the Latest Practicable Date; and (b) immediately upon exercise of all outstanding Share Options granted under the Share Option Scheme (including those under the 2019 Grant) are as follows:

	As at the Latest Practicable Date		Immediately upon exercise of all outstanding Share Options granted under the Share Option Scheme (including those under the 2019 Grant)	
	Number of Shares	Approximate percentage shareholdings	Number of Shares	Approximate percentage shareholdings
Mr. An ( <i>Note 1</i> )	9,805,817	1.12%	28,555,817 <sup>(<i>Note 5</i>)</sup>	2.89%
BOS Trustee Limited ( <i>Note 2</i> )	197,324,000	22.63%	197,324,000	19.93%
<b>Total shareholding of Mr. An and his associates</b>	<b>207,129,817</b>	<b>23.75%</b>	<b>225,879,817</b>	<b>22.82%</b>
Ms. Li ( <i>Note 1</i> )	5,922,261	0.68%	24,672,261 <sup>(<i>Note 5</i>)</sup>	2.49%
Double Grace International Limited ( <i>Note 3</i> )	127,048,000	14.57%	127,048,000	12.84%
<b>Total shareholding of Ms. Li and her associates</b>	<b>132,970,261</b>	<b>15.25%</b>	<b>151,720,261</b>	<b>15.33%</b>
<b>Total shareholding of Mr. Young and his associates (<i>Note 4</i>)</b>	<b>110,050,000</b>	<b>12.62%</b>	<b>110,050,000</b>	<b>11.12%</b>
Professor Zhu ( <i>Note 1</i> )	–	–	3,757,700	0.38%
Mr. Tang ( <i>Note 1</i> )	–	–	2,805,600	0.28%
Ms. Cheng Xinxin ( <i>Note 1</i> )	2,993,000	0.34%	2,993,000	0.30%
Public Shareholders	418,879,702	48.04%	492,644,129	49.77%
<b>Total:</b>	<b>872,022,780</b>	<b>100%</b>	<b>989,850,507<sup>(<i>Note 6</i>)</sup></b>	<b>100%</b>

*Notes:*

- (1) They are Directors.
- (2) Central Success Developments Limited beneficially owns 197,324,000 Shares. The entire issued share capital of Central Success Developments Limited is owned by Aali Resources Limited, which is held by BOS Trustee Limited as a trustee of a discretionary trust, of which Mr. An is the founder.
- (3) Double Grace International Limited is wholly owned by Ms. Li.
- (4) Guido Limited beneficially owns 110,050,000 Shares. The entire issued share capital of Guido Limited is legally and beneficially owned by Mr. Young.
- (5) Such number of Shares include the 10,000,000 Share Options granted before the 2019 Grant (which had not been exercised as of the Latest Practicable Date) and the 8,750,000 Share Options proposed to be granted under the 2019 Grant to each of Mr. An and Ms. Li.
- (6) Such figure represents the sum of (i) the number of Shares issued as at the Latest Practicable Date (i.e. 872,022,780 Shares); and (ii) the total number of Shares which may fall to be issued upon the exercise of all outstanding Share Options under the Share Option Scheme, which includes the Share Options granted before and under the 2019 Grant (i.e. 117,827,727 Shares).

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## LETTER FROM THE BOARD

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### **Reasons for the Proposed Grant of Share Options**

The purpose of the Proposed Grant of Share Options is to grant incentive and rewards to recognise the significant efforts and contribution of Mr. An and Ms. Li in the development and transformation of the Group's business. The Board considers that the above purpose can be achieved by granting the Share Options as it demonstrates to Mr. An and Ms. Li that their efforts and contributions to the Group are valued and will be rewarded.

The Board considers that the economic benefits of Share Options depends upon the increase in share price to be driven by improving the overall management business synergies and operational performances of the Group at which time all the Shareholders also stand to benefit. The grant of Share Options therefore provides an incentive for the Directors and eligible employees to devote themselves to increasing profitability of the Group, thereby raising share price and share value for the Group and the Shareholders. The Proposed Grant of Share Options serves as an appreciation of the dedication and efforts of Mr. An and Ms. Li and, in view of the long vesting and exercise period of the Share Options, as an incentive for their persistent devotions and leadership by further aligning the long-term interests of the Group with them. Therefore, the Board believes that the Proposed Grant of Share Options is an appropriate way to reward and encourage the ongoing valuable performance of Mr. An and Ms. Li in achieving the goals and business growth of the Group.

In view of the above, the Proposed Grant of Share Options is considered to be in the interests of the Company and the Shareholders as a whole.

### **PROPOSED REFRESHMENT OF THE SCHEME MANDATE LIMIT UNDER THE SHARE OPTION SCHEME**

The Company's existing Share Option Scheme was approved for adoption on 2 December 2013 for the purpose to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to eligible participants and for such other purposes as the Board approve from time to time.

Pursuant to the Share Option Scheme and Chapter 17 of the Listing Rules, the total number of securities which may be issued upon exercise of all options to be granted under a share option scheme and any other schemes of a listed issuer must not in aggregate exceed 10% of the relevant class of securities of the listed issuer (or the subsidiary) in issue as at the date of approval of the share option scheme. Options lapsed in accordance with the share option scheme will not be counted for the purpose of calculating the Scheme Mandate Limit. The Listing Rules also provide that the limit on the number of securities which may be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme and any other schemes must not exceed 30% of the relevant class of securities of the listed issuer (or the subsidiary) in issue from time to time.

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## LETTER FROM THE BOARD

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Pursuant to the terms of the Share Option Scheme and in compliance with Chapter 17 of the Listing Rules, the Company may seek approval from the Shareholders in general meeting for refreshing the Scheme Mandate Limit so that the maximum number of Shares which may be issued upon the exercise of all Share Options to be granted under the Share Option Scheme and any other share option schemes of the Company shall be reset at 10% of the Shares in issue as at the date of approval of the limit as refreshed. In this connection, Share Options previously granted under the Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled or lapsed in accordance with the schemes or exercised options and those conditionally granted to Mr. An and Ms. Li under the Proposed Grant of Share Options) will not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed.

The existing Scheme Mandate Limit is 98,825,600 Shares, representing 10% of the Shares in issue as at the date of the 2016 AGM. Up to the Latest Practicable Date, an aggregate of 63,000,000 Share Options had been granted under the 2019 Grant to the 2019 Grantees, of which the grant of 17,500,000 Share Options to Mr. An and Ms. Li in aggregate would be subject to approval at the EGM. Unless the existing Scheme Mandate Limit was refreshed, only 35,825,600 (representing approximately 36.25% of the existing Scheme Mandate Limit) Shares might be issued pursuant to the grant of further Share Options under the Share Option Scheme.

The Directors consider that the Company should refresh the existing Scheme Mandate Limit so that the Company could have more flexibility to provide incentives to the eligible participants by way of granting Share Options to them. Granting Share Options to Eligible Participants would provide them an opportunity to have a personal stake in the Company with the view to achieving the objectives of (i) motivating the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and (ii) attracting and retaining or otherwise maintaining on-going business relationships with Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group. The Eligible Participants are as follows:

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any Directors (including non-executive Directors and independent non-executive Directors) of our Company or any of its subsidiaries;
- (iii) any advisers, consultants, suppliers, customers and agents to our Company or any of its subsidiaries; and
- (iv) such other persons who, in the sole opinion of our Board, will contribute or have contributed to our Group, the assessment criteria of which are:
  - a. contribution to the development and performance of our Group;
  - b. quality of work performed for our Group;



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## LETTER FROM THE BOARD

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- c. initiative and commitment in performing his/her duties; and
- d. length of service or contribution to our Group.

*Note: Regarding category (iii) above, the Company considers that such persons' contributions could include referral of business or business opportunities to the Group and having long-term business or strategic relationships with the Group which are beneficial to the Group's long-term growth. Regarding category (iv) above, the Company considers that such other persons could include persons contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group. The main reason for including category (iv) as the Eligible Participants is to provide flexibility and not to limit the scope of Eligible Participants in considering the grant of Share Options by the Company to persons who in fact make contributions to the Group. The Board confirms that it will consider all the relevant factors in making fair and reasonable assessments on whether persons under such category should be offered the grant of Share Options.*

If the refreshment of the existing Scheme Mandate Limit is approved at the EGM, based on the 872,022,780 Shares in issue as at the Latest Practicable Date and assuming that the issued share capital of the Company remains unchanged on the date of the EGM, the Company will be allowed under the refreshed Scheme Mandate Limit to grant Share Options carrying the rights to subscribe for up to a total of 87,202,278 Shares, representing 10% of the issued share capital of the Company as at the EGM.

Apart from the Share Option Scheme, the Company has no other share option scheme currently in force. Apart from the Share Options granted under the Share Option Scheme which have not been exercised, cancelled or lapsed and remained outstanding as at the Latest Practicable Date, the Company has no outstanding options to subscribe for Shares.

The Company is in compliance with Rule 17.03(4) of the Listing Rules, which provides that the total number of securities issued and to be issued upon exercise of the Share Options granted to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the relevant class of securities of the listed issuer (or the subsidiary) in issue, unless approved by shareholders of the Company in the manner set out in the note to Rule 17.03(4) of the Listing Rules.

As at the Latest Practicable Date, the total number of Shares which may fall to be issued upon the exercise of all outstanding Share Options under the Share Option Scheme is 117,827,727 Shares (which include the Share Options granted under the 2019 Grant), representing approximately 13.51% of the Shares in issue as at Latest Practicable Date. If the refreshment of the Scheme Mandate Limit is approved at the EGM, the existing outstanding Share Options of the Company and the Share Options that may be granted under the refreshed Scheme Mandate Limit will not exceed 30% of the issued share capital of the Company as at the Latest Practicable Date.

The Directors consider that the refreshment of the Scheme Mandate Limit is in the interests of the Group and the Shareholders as a whole because it enables the Company to reward and motivate its employees and other eligible participants under the Share Option Scheme.



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## LETTER FROM THE BOARD

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The proposed refreshment of the Scheme Mandate Limit is conditional upon:

- (i) the passing of an ordinary resolution by the Shareholders at the EGM to approve the proposed refreshment; and
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in the Shares to be issued pursuant to the exercise of the Share Options granted under the refreshed Scheme Mandate Limit.

Application will be made to the Stock Exchange for granting the listing of, and permission to deal in the Shares, representing 10% of the Shares in issue at the EGM, which may fall to be issued upon the exercise of the Share Options that may be granted under the refreshed Scheme Mandate Limit.

No Shareholder is required to abstain from voting in favour of the relevant resolution to approve the proposed refreshment of the Scheme Mandate Limit.

### **EGM**

A notice of the EGM is set out on pages 17 to 19 of this circular.

At the EGM, resolutions will be proposed to the Shareholders to be considered at the EGM, including: (a) the Proposed Grant of Share Options and (b) the proposed refreshment of the Scheme Mandate Limit under the Share Option Scheme.

A form of proxy for use at the EGM is enclosed herewith. Whether or not you intend to attend the EGM in person, you are requested to complete, sign and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

### **VOTING BY WAY OF POLL**

Pursuant to Rule 13.39(4) of the Listing Rules and article 79 of the Articles of Association, all votes at the EGM will be taken by poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

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## LETTER FROM THE BOARD

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### RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein misleading.

### RECOMMENDATION

The Board (including all independent non-executive Directors) consider that the proposed resolutions set out in the notice of the EGM including (a) the Proposed Grant of Share Options; and (b) the proposed refreshment of the Scheme Mandate Limit under the Share Option Scheme, are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

Having considered the terms of the Proposed Grant of Share Options, all the independent non-executive Directors considered that they are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the independent non-executive Directors recommend the Independent Shareholders to vote in favour of the resolution approving the Proposed Grant of Share Options at the EGM.

### GENERAL

Your attention is drawn to the additional information set out in the appendices to this circular.

### MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

Yours faithfully,  
By Order of the Board  
**Consun Pharmaceutical Group Limited**  
**AN Yubao**  
*Chairman and Executive Director*

Hong Kong, 16 May 2019

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## NOTICE OF EGM

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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)

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of Consun Pharmaceutical Group Limited (the “**Company**”) will be held at United Conference Centre, 10th Floor, United Centre, 95 Queensway, Admiralty, Hong Kong, on 31 May 2019 (Friday), at 10:15 a.m. or immediately after conclusion of the Company’s annual general meeting to be held on the same day, whichever is later, to consider special business and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions:

1. “**THAT** the grant of share options to Mr. AN Yubao under the share option scheme adopted by the Company on 2 December 2013 (“**Share Option Scheme**”) to subscribe for 8,750,000 shares in the share capital of the Company at the exercise price of HKD4.476 per share and on the terms and conditions set out in the circular to the shareholders of the Company dated 16 May 2019 (the “**Circular**”) be and is hereby approved and that any Director be and is hereby authorised to do all such acts and/or execute all such documents as may be necessary or expedient in order to give effect to the foregoing.”
2. “**THAT** the grant of share options to Ms. LI Qian under the Share Option Scheme to subscribe for 8,750,000 shares in the share capital of the Company at the exercise price of HKD4.476 per Share and on the terms and conditions set out in the Circular be and is hereby approved and that any one Director be and is hereby authorised to do all such acts and/or execute all such documents as may be necessary or expedient in order to give effect to the foregoing.”
3. “**THAT** subject to and conditional upon the Stock Exchange granting the listing of, and permission to deal in, such number of shares of the Company which may fall to be allotted and issued pursuant to the exercise of the options which may be granted under the Refreshed Scheme Mandate (as defined below) pursuant to the Share Option Scheme:
  - (a) approval be and is hereby granted for refreshing the 10% mandate under the Share Option Scheme (“**Refreshed Scheme Mandate**”) provided that the total number of shares of the Company which may be allotted and issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company (or its subsidiaries) under the limit as refreshed hereby shall not exceed 10% of the total number of issued shares of the Company as at the date on which this resolution is passed (options

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## NOTICE OF EGM

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previously granted under the Share Option Scheme and any other share option schemes of the Company or its subsidiaries, including options outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company or its subsidiaries, shall not be counted for the purpose of calculating the Refreshed Scheme Mandate); and

- (b) the Directors or a duly authorised committee of the Company be and they are hereby authorised: (i) at their absolute discretion, to grant options to subscribe for shares of the Company within the Refreshed Scheme Mandate in accordance with the rules of the Share Option Scheme, and (ii) to allot, issue and deal with shares of the Company pursuant to the exercise of options granted under the Share Option Scheme within the Refreshed Scheme Mandate.”

By Order of the Board  
**Consun Pharmaceutical Group Limited**  
**AN Yubao**  
*Chairman and Executive Director*

Hong Kong, 16 May 2019

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## NOTICE OF EGM

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*Notes:*

1. A member entitled to attend and vote at the above meeting (or at any adjournment thereof) (the “EGM”) shall be entitled to appoint another person as his proxy to attend and, on a poll, vote in his stead. A member who is the holder of two or more Shares may appoint more than one proxy to represent him and, on a poll, vote on his behalf. A proxy need not be a member of the Company.
2. In order to be valid, a proxy form together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, must be deposited at the share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the meeting or any adjournment thereof.
3. The register of members of the Company will be closed from Tuesday, 28 May 2019 to Friday, 31 May 2019, both days inclusive, during which period no transfer of shares will be registered. In order to determine the eligibility of the shareholders who are entitled to attend and vote at the EGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 27 May 2019.
4. According to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at general meeting of the Company must be taken by poll. Therefore, all proposed resolutions put to the vote at the EGM will be taken by way of poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.
5. As at the date of this notice, the Board comprises Mr. AN Yubao, Ms. LI Qian, Professor ZHU Quan and Mr. TANG Ning as executive Directors; Mr. SU Yuanfu, Mr. FENG Zhongshi and Ms. CHENG Xinxin as independent non-executive Directors.