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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 licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in **China Medical System Holdings Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

**PROPOSED RE-ELECTION OF THE RETIRING DIRECTORS,
DECLARATION OF FINAL DIVIDEND,
GENERAL MANDATES TO ISSUE SHARES AND TO REPURCHASE SHARES
AND
NOTICE OF ANNUAL GENERAL MEETING**

A notice convening the annual general meeting of the Company (the “**AGM**”) to be held at Queensway & Victoria, Level 3, JW Marriott Hotel, Pacific Place, 88 Queensway, Hong Kong on Thursday, 4 June 2020 at 10:00 a.m. is set out on pages 16 to 20 of this circular. A form of proxy for use at the AGM is enclosed with this circular. Such form of proxy is also published on the website of the Company at www.cms.net.cn and the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk.

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

6 May 2020

* For identification purpose only

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DEFINITIONS

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

“AGM” or “Annual General Meeting”	the annual general meeting of the Company to be held at Queensway & Victoria, Level 3, JW Marriott Hotel, Pacific Place, 88 Queensway, Hong Kong on Wednesday, Thursday, 4 June 2020 at 10:00 a.m., a notice of which is set out on pages 16 to 20 of this circular
“Articles of Association”	the articles of association of the Company
“Board”	the board of Directors
“Company”	China Medical System Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Final Dividend”	the proposed final dividend of RMB0.1271 (equivalent to HK\$0.139) per Share for the year ended 31 December 2019 to Shareholders whose names appear on the Register on the Record Date
“General Mandate”	the general mandate proposed to be granted to the Directors at the AGM to allot, issue and otherwise deal with unissued Shares not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of granting the general mandate
“Group”	the Company and all of its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	Monday, 27 April 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People's Republic of China
“Record Date”	Wednesday, 10 June 2020, being the record date for the determination of entitlement of the Shareholders to the Final Dividend

DEFINITIONS

“Register”	the register of members of the Company
“Repurchase Mandate”	the repurchase mandate proposed to be granted to the Directors at the AGM to repurchase up to 10% of the aggregate nominal value of the issued share capital of the Company as at the date of granting the repurchase mandate
“RMB”	Renminbi yuan, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) with a nominal value of US\$0.005 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

EXPECTED TIMETABLE

2020:

Dispatch of this circular and notice of the AGM	Wednesday, 6 May
Last share registration date in order to qualify for attending and voting at the AGM	4:30 p.m., Thursday, 28 May
Closure of Register for determination of the entitlement to attend and vote at the AGM (both dates inclusive)	from Friday, 29 May to Thursday, 4 June
Latest time for lodging forms of proxy for the AGM (in any event not less than 48 hours before the time appointed for holding the AGM or any adjournment thereof)	10:00 a.m., Tuesday, 2 June
Date and time of the AGM	10:00 a.m., Thursday, 4 June
Date of the Poll Results Announcement of the AGM	Thursday, 4 June
Last day of dealings in the Shares on a cum-entitlement basis	Friday, 5 June
First day of dealings in the Shares on an ex-entitlement basis	Monday, 8 June
Latest time for lodging transfer of Shares for registration in order to qualify for the Final Dividend	4:30 p.m., Tuesday, 9 June
Closure of Register	Wednesday, 10 June
Record Date for determination of entitlement to the Final Dividend	Wednesday, 10 June
Register re-opens	Thursday, 11 June
Final Dividend expected to be dispatched	about Wednesday, 17 June

Notes:

1. *All dates and time set out in this circular refer to Hong Kong dates and time.*
2. *Dates or deadlines specified in this circular are indicative only and may be varied by the Company. Any consequential changes to the expected timetable will be published or notified to the Shareholders as and when appropriate and in accordance with the Listing Rules.*

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Lam Kong (Chairman)

Mr. Chen Hongbing

Ms. Chen Yanling

Registered Office:

Maples Corporate Services Limited

PO Box 309

Ugland House

Grand Cayman, KY1-1104

Cayman Islands

Independent Non-executive Directors:

Mr. Wu Chi Keung

Mr. Leung Chong Shun

Ms. Luo, Laura Ying

**Headquarters and Principal Place of
Business in Hong Kong:**

Unit 2106, 21/F

Island Place Tower

510 King's Road, North Point

Hong Kong

6 May 2020

To the Shareholders

Dear Sir or Madam,

**PROPOSED RE-ELECTION OF THE RETIRING DIRECTORS,
DECLARATION OF FINAL DIVIDEND,
GENERAL MANDATES TO ISSUE SHARES AND TO REPURCHASE SHARES
AND
NOTICE OF ANNUAL GENERAL MEETING**

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LETTER FROM THE BOARD

INTRODUCTION

The purpose of this circular is to provide you with (i) the AGM notice; (ii) all the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolutions to be proposed at the AGM; and (iii) information relating to the Final Dividend.

At the AGM, resolutions will be proposed to seek approval of the Shareholders for, among other matters, (i) the re-election of the retiring Directors; (ii) the declaration of the Final Dividend; (iii) the grant of the General Mandate to the Directors; (iv) the grant of the Repurchase Mandate to the Directors; and (v) the extension of the General Mandate to include Shares that may be repurchased pursuant to the Repurchase Mandate.

RE-ELECTION OF THE RETIRING DIRECTORS

Pursuant to Article 16.2 of the Articles of Association, any Director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office until the next following annual general meeting of the Company and shall be eligible for re-election at that meeting. Ms. Luo, Laura Ying was appointed by the Board on 31 March 2020 as an independent non-executive Director. Accordingly, Ms. Luo shall retire from her office at the AGM and, being eligible, will offer herself for re-election at the AGM.

Pursuant to Article 16.18 of the Articles of Association, at every annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

Any Director appointed pursuant to Article 16.2 or Article 16.3 of the Articles of Association shall not be taken into account in determining which Directors are to retire by rotation. A retiring Director shall be eligible for re-election. Accordingly, Mr. Lam Kong, Mr. Chen Hongbing and Mr. Wu Chi Keung will retire from their offices at the AGM and, being eligible, offer themselves for re-election at the AGM.

At the AGM, separate ordinary resolutions will be proposed for each of the re-elections of Mr. Lam Kong, Mr. Chen Hongbing, Mr. Wu Chi Keung and Ms. Luo, Laura Ying. Details of these retiring Directors are set out in Appendix I to this circular.

PROPOSED FINAL DIVIDEND

As stated in the announcement issued by the Company dated 31 March 2020 relating to the annual results of the Group for the year ended 31 December 2019, the Board recommends the payment of the Final Dividend of RMB0.1271 (equivalent to HK\$0.139) per Share for the year ended 31 December 2019 to the Shareholders whose names appear on the Register on the Record Date. The Final Dividend is subject to the Shareholders' approval at the AGM and a resolution will be put to the Shareholders for voting at the AGM.

The last day for dealing in Shares cum entitlements to the Final Dividend will be Friday, 5 June 2020. The Register will be closed on Wednesday, 10 June 2020, on which date the registration of transfer of Shares will be suspended.

LETTER FROM THE BOARD

To qualify for the Final Dividend, all transfer forms of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than Tuesday, 9 June 2020 at 4:30 p.m.

Shareholders whose names appear on the Register on the Record Date, i.e. Wednesday, 10 June 2020 will be entitled to the Final Dividend. Payment of such Final Dividend in Hong Kong dollars is expected to be made to the Shareholders on about Wednesday, 17 June 2020 after the Shareholders' approval at the AGM dated on Thursday, 4 June 2020.

CLOSURE OF REGISTER OF MEMBERS

The Register will be closed from Friday, 29 May 2020 to Thursday, 4 June 2020 (both days inclusive), during which the registration of transfer of Shares will be suspended. In order to qualify for attending and voting at the AGM, all transfers of Shares accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 28 May 2020.

The Register will be closed on Wednesday, 10 June 2020, on which date no transfer of Shares will be effected. The last day for dealing in the Shares on a cum-entitlement basis will be Friday, 5 June 2020. Shareholders are reminded that in order to qualify for the Final Dividend, all transfers of Shares must be duly completed, accompanied by the relevant share certificates and lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 9 June 2020.

GENERAL MANDATE AND REPURCHASE MANDATE

The existing general mandates to issue and to repurchase Shares will expire at the conclusion of the AGM. It is proposed to seek Shareholders' approval at the AGM to grant the General Mandate and the Repurchase Mandate to the Directors.

General Mandate

At the AGM, an ordinary resolution will be proposed that the Directors be unconditionally granted the General Mandate to allot, issue and otherwise deal with unissued Shares up to a limit equal to 20% of the aggregate nominal amount of the issued share capital of the Company at the date of passing such resolution. As at the Latest Practicable Date, the issued share capital of the Company comprised 2,470,760,512 Shares. Subject to the passing of the proposed ordinary resolution for the approval of the General Mandate and on the basis that no further Shares are issued or repurchased by the Company between the Latest Practicable Date and the date of AGM, the Company would be allowed under the General Mandate to issue up to 494,152,102 Shares. In addition, an ordinary resolution will also be proposed to authorise the increase in the total number of new Shares which may be allotted and issued under the General Mandate by an additional number representing such number of Shares actually repurchased by the Company under the Repurchase Mandate.

LETTER FROM THE BOARD

Repurchase Mandate

At the AGM, an ordinary resolution will be proposed that the Directors be unconditionally given the Repurchase Mandate to repurchase Shares on the Stock Exchange of up to 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing such resolution.

An explanatory statement in connection with the Repurchase Mandate is set out in Appendix II to this circular. The explanatory statement contains all the requisite information required under the Listing Rules to be given to the Shareholders to enable them to make an informed decision on whether to vote for or against the resolution approving the Repurchase Mandate.

The General Mandate and the Repurchase Mandate shall continue to be in force during the period from the date of passing of the resolutions for the approval of the General Mandate and the Repurchase Mandate up to (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or any applicable laws of the Cayman Islands to be held; or (iii) the revocation or variation of the General Mandate or the Repurchase Mandate (as the case may be) by ordinary resolution of the Shareholders in a general meeting of the Company, whichever occurs first.

ANNUAL GENERAL MEETING

A notice convening the AGM to be held at Queensway & Victoria, Level 3, JW Marriott Hotel, Pacific Place, 88 Queensway, Hong Kong on Thursday, 4 June 2020 at 10:00 a.m. is set out on pages 16 to 20 of this circular. A form of proxy for use in connection with the AGM is enclosed with this circular. Such form of proxy is also published on the website of the Company at www.cms.net.cn and the website of the Stock Exchange at www.hkexnews.hk.

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

Consistent with the requirement of Rule 13.39(4) of the Listing Rules, Article 13.6 of the Articles of Association provides that at any general meeting a resolution put to the vote of the meeting shall be decided on a poll. Accordingly, all the resolutions proposed at the AGM will be voted by way of a poll. An announcement will be made by the Company after the AGM on the poll results of the AGM.

LETTER FROM THE BOARD

PRECAUTIONARY MEASURES FOR THE ANNUAL GENERAL MEETING

In view of the ongoing novel coronavirus disease epidemic and recent requirements for prevention and control of its spread, the Company will implement the following preventive and control measures at the AGM to protect attending Shareholders, staff and other stakeholders from the risk of infection: (i) compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee at the entrance of the AGM venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the AGM venue to ensure the safety of the attendees at the AGM; (ii) the Company encourages attendees to wear surgical face masks inside the AGM venue at all times; and (iii) anyone who is either (a) subject to quarantine, (b) possesses any flu-like symptoms, (c) has had close contact with any person under quarantine, or (d) has travelled overseas within 14 days immediately before the AGM should not be permitted to enter the AGM venue.

The Company wishes to advise the Shareholders, that they may consider appointing any person or the Chairman of the AGM as a proxy to vote, instead of attending the AGM in person.

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 or this circular misleading.

RECOMMENDATION

The Directors believe that the proposed (i) re-election of the retiring Directors, (ii) declaration of the Final Dividend, (iii) grant of the General Mandate to the Directors, (iv) grant of the Repurchase Mandate to the Directors, and (v) extension of the General Mandate to include Shares that may be repurchased pursuant to the Repurchase Mandate are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the AGM.

Yours faithfully
By Order of the Board
China Medical System Holdings Limited
Lam Kong
Chairman

APPENDIX I – DETAILS OF RETIRING DIRECTORS PROPOSED TO BE RE-ELECTED

Details of the Directors who will retire from offices at the AGM and, being eligible, will offer themselves for re-election at the AGM, are set out below:

1. Mr. Lam Kong

Mr. Lam Kong, aged 55, is Chairman, Chief Executive and President of the Group and was appointed as an executive Director on 18 December 2006. Mr. Lam is responsible for the creation, implementation and management of the Group's development and growth strategy. Mr. Lam possesses clinical experience and has many years of extensive experience in marketing, promotion, sales and other value-added services for pharmaceutical products in China. He received his bachelor's degree in medicine from Zhanjiang Medical College in 1986, which was renamed to Guangdong Medical University. Mr. Lam is a member of the Nomination Committee of the Company and the sole director of Treasure Sea Limited, the controlling shareholder of the Company. Save as disclosed above, Mr. Lam had not been a director in any public company (other than the Company), the securities of which are listed on any securities market in Hong Kong or overseas in the last three years preceding the Latest Practicable Date.

Mr. Lam is currently entitled to a fixed annual Director's emoluments of HK\$240,000 and other fixed annual remuneration of RMB4,044,000. He is also entitled to certain discretionary allowances determined by the internal policy of the Group. Mr. Lam's emoluments were determined by the Board with reference to his qualifications, duties and responsibilities with the Group and the then prevailing market conditions.

In accordance with the meaning of Part XV of the SFO, as at the Latest Practicable Date, Mr. Lam held 1,105,844,000 Shares, representing approximately 44.76% of the entire issued share capital of the Company, through Treasure Sea Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Lam.

Save as disclosed above, as at the Latest Practicable Date, Mr. Lam did not have any interest nor was he deemed to be interested in any Shares within the meaning of Part XV of the SFO, and Mr. Lam had no relationship with any other Director, senior management, substantial or controlling shareholders (as defined in the Listing Rules) of the Company.

Save as disclosed above, there is no other matter concerning Mr. Lam that needs to be brought to the attention of the Shareholders nor is there other information which is required to be disclosed pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules.

APPENDIX I – DETAILS OF RETIRING DIRECTORS PROPOSED TO BE RE-ELECTED

2. Mr. Chen Hongbing

Mr. Chen Hongbing, aged 53, is Chief Operating Officer and Vice-president of the Group and was appointed as an executive Director on 18 December 2006. He joined the Group in 1995 and has remained with the Group since then. Mr. Chen is responsible for the operation of the Group's marketing, promotion and sales business and management of product manufacturing. He had acquired about 4 years' public hospital doctor experience as a doctor with Nanjing Gulou Hospital from 1990 to 1994 prior to joining the Group in 1995. He received his bachelor's degree in clinical medicine from Nanjing Medical College in 1990, which was renamed to Nanjing Medical University. Save as disclosed above, Mr. Chen had not been a director in any public company (other than the Company), the securities of which are listed on any securities market in Hong Kong or overseas in the last three years preceding the Latest Practicable Date.

Mr. Chen is currently entitled to a fixed annual Director's emoluments of HK\$240,000 and other fixed annual remuneration of RMB3,852,000. He is also entitled to certain discretionary allowances determined by the internal policy of the Group. Mr. Chen's emoluments were determined by the Board with reference to his qualifications, duties and responsibilities with the Group and the then prevailing market conditions.

In accordance with the meaning of Part XV of the SFO, as at the Latest Practicable Date, Mr. Chen (i) held 20,038,225 Shares in his own name, representing approximately 0.81% of the entire issued share capital of the Company; and (ii) held 45,800,000 Shares, representing approximately 1.85% of the entire issued share capital of the Company, through Viewell Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Chen.

Save as disclosed above, as at the Latest Practicable Date, Mr. Chen did not have any interest nor was he deemed to be interested in any Shares within the meaning of Part XV of the SFO, and Mr. Chen had no relationship with any other Director, senior management, substantial or controlling shareholders (as defined in the Listing Rules) of the Company.

Save as disclosed above, there is no other matter concerning Mr. Chen that needs to be brought to the attention of the Shareholders nor is there other information which is required to be disclosed pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules.

APPENDIX I – DETAILS OF RETIRING DIRECTORS PROPOSED TO BE RE-ELECTED

3. Mr. Wu Chi Keung

Mr. Wu Chi Keung, aged 63, was appointed as an independent non-executive Director on 25 June 2010. Mr. Wu has more than 30 years of experience in financial audit and specializes in providing auditing and assurance services, financial due diligence reviews, support services for mergers and acquisitions, corporate restructuring and fund raising engagements. Mr. Wu was a partner of Deloitte Touche Tohmatsu until he retired in December 2008. Mr. Wu is currently a managing director of a family-owned private company engaging in property and other investment activities. He is also an independent non-executive director of Jinchuan Group International Resources Co. Ltd (a company listed on the Stock Exchange with stock code: 2362), Central Development Holdings Limited (formerly known as Zhong Fa Zhan Holdings Limited, a company listed on the Stock Exchange with stock code: 475), Huabao International Holdings Limited (a company listed on the Stock Exchange with stock code: 336), Huajin International Holdings Limited (a company listed on the Stock Exchange with stock code: 2738) and Zhou Hei Ya International Holdings Company Limited (a company listed on the Stock Exchange with stock code: 1458). Mr. Wu was an independent non-executive director of COFCO Meat Holdings Limited (a company listed on the Stock Exchange with stock code: 1610) from 23 June 2016 to 12 December 2017 and also an independent non-executive director of YuanShengTai Dairy Farm Limited (a company listed on the Stock Exchange with stock code: 1431) from 7 November 2013 to 28 September 2018.

Mr. Wu is an associate of Hong Kong Institute of Certified Public Accountants and a fellow of Association of Chartered Certified Accountants in the United Kingdom. Mr. Wu graduated from the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University) in 1980 with a high diploma in accountancy. Mr. Wu is the chairman of the Audit Committee, a member of the Remuneration Committee and a member of the Nomination Committee of the Company. Save as disclosed above, Mr. Wu had not been a director in any public company (other than the Company), the securities of which are listed on any securities market in Hong Kong or overseas in the last three years preceding the Latest Practicable Date.

Mr. Wu is currently entitled to a fixed annual Director's emoluments of HK\$240,000 as determined by the Board with reference to his qualifications, duties and responsibilities with the Group and the then prevailing market conditions.

As at the Latest Practicable Date, Mr. Wu did not have any interest nor was he deemed to be interested in any Shares within the meaning of Part XV of the SFO, and had no relationship with any other Director, senior management, substantial or controlling shareholders (as defined in the Listing Rules) of the Company.

Pursuant to the code provision A.4.3 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules, If an independent non-executive director serves more than 9 years, his further appointment should be subject to a separate resolution to be approved by shareholders. Mr. Wu has served the Board for more than 9 years as an independent non-executive Director since 25 June 2010. Despite the length of his service, there is no evidence that the independence of Mr. Wu, especially in terms of exercising independent judgment and objective challenges to the management, has been or will be in any way compromised or affected. The Board is confident that Mr. Wu will continue to make valuable contribution to the Company by providing his balanced and objective views to the Board. Mr. Wu has also provided an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Nomination Committee (with Mr. Wu abstaining from opining on the same) is fully satisfied that Mr. Wu meets the independence guidelines set out in Rule 3.13 of the Listing Rules and continues to be independent. The Board therefore comes to the view that Mr. Wu should be re-elected for a further term at the AGM.

Save as disclosed above, there is no other matter concerning Mr. Wu that needs to be brought to the attention of the Shareholders nor is there other information which is required to be disclosed pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules.

APPENDIX I – DETAILS OF RETIRING DIRECTORS PROPOSED TO BE RE-ELECTED

4. Ms. Luo, Laura Ying

Ms. Luo, Laura Ying (formerly known as Ying Luo), aged 54, was appointed as an independent non-executive Director on 31 March 2020. Ms. Luo has 25 years of investment experience. She currently works as consultant to GL Capital Management Limited. Ms. Luo was managing director, head of Hong Kong China Equities at Barings Asset Management (Asia) Limited from 2013 to 2019. Her overall responsibilities included managing a team of investment managers and research analysts, as well as managing a range of Hong Kong and China equity strategies, including Barings' flagship Hong Kong China Fund, China A-share fund and some institutional mandates. Before joining Barings Asset Management (Asia) Limited, Ms. Luo worked for Schroder Investment Management (HK) Limited for over 12 years. Since 2002, Ms. Luo had been lead manager on several Greater China equity mandates including the Schroder International Selection Fund - China Opportunities, which she managed since its launch in 2006. Prior to Schroder Investment Management (HK) Limited, Ms. Luo had worked at SG Securities as head of China Research and Strategist, as well as at Morgan Stanley and Goldman Sachs (Asia) LLC, Hong Kong as an equity research analyst.

Ms. Luo obtained her Bachelor of Arts in International Economics from Peking University in 1987 and Master of Business Administration from the University of Toronto in 1991. She is a Chartered Financial Analyst (CFA) and Chartered Professional Accountant (CPA) (Canada) charterholder. Ms. Luo is the chairman of the Nomination Committee, a member of the Audit Committee and a member of the Remuneration Committee of the Company. Save as disclosed above, Ms. Luo had not been a director in any public company (other than the Company), the securities of which are listed on any securities market in Hong Kong or overseas in the last three years preceding the Latest Practicable Date.

Ms. Luo is currently entitled to a fixed annual Director's emoluments of HK\$240,000 as determined by the Board with reference to her qualifications, duties and responsibilities with the Group and the then prevailing market conditions.

As at the Latest Practicable Date, Ms. Luo did not have any interest nor was she deemed to be interested in any Shares within the meaning of Part XV of the SFO, and had no relationship with any other Director, senior management, substantial or controlling shareholders (as defined in the Listing Rules) of the Company.

Save as disclosed above, there is no other matter concerning Ms. Luo that needs to be brought to the attention of the Shareholders nor is there other information which is required to be disclosed pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules.

APPENDIX II – EXPLANATORY STATEMENT OF REPURCHASE MANDATE

This Appendix II serves as an explanatory statement, as required by the Listing Rules, to provide the Shareholders with all the information reasonably necessary to enable them to make an informed decision on whether to vote for or against the ordinary resolution approving the Repurchase Mandate to be proposed at the AGM.

1. Share capital

As at the Latest Practicable Date, the issued share capital of the Company comprised 2,470,760,512 Shares.

Subject to the passing of the proposed ordinary resolution for the approval of the Repurchase Mandate and on the basis that no further Shares are issued or repurchased by the Company between the Latest Practicable Date and the date of AGM, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 247,076,051 Shares, representing approximately 10% of the issued share capital of the Company as at the date of passing such resolution.

2. Reasons for the repurchases

The Directors believe that the Repurchase Mandate is in the best interests of the Company and the Shareholders as a whole. An exercise of the Repurchase Mandate may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made when the Directors believe that a repurchase of Shares will benefit the Company and the Shareholders as a whole.

3. Funding of repurchases

Repurchases of Shares would be funded entirely from the Company's available cash flow or working capital facilities, which will be made out of funds legally available for such purpose in accordance the applicable laws and regulations of the Cayman Islands, the Listing Rules and the memorandum and Articles of Association of the Company.

An exercise of the Repurchase Mandate in full could have a material adverse impact on the working capital and/or gearing position of the Company compared with that as at 31 December 2019, being the date of its latest published audited consolidated accounts. The Directors do not, however, intend to make any repurchase in circumstances that would have a material adverse impact on the working capital or gearing levels of the Company which, in the opinion of the Directors, are from time to time appropriate for the Company.

4. Undertaking and disclosure of interests

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will only exercise the powers of the Company to make repurchases under the Repurchase Mandate in accordance with the applicable laws and regulations of the Cayman Islands and the Listing Rules.

None of the Directors nor, to the best of their knowledge having made all reasonable inquiries, any of their close associates (as defined in the Listing Rules) has any present intention to sell Shares to the Company under the Repurchase Mandate if the same is approved by the Shareholders.

No core connected persons (as defined in the Listing Rules) have notified the Company that they have a present intention to sell Shares to the Company nor have they undertaken not to do so in the event that the Repurchase Mandate is approved by the Shareholders.

APPENDIX II – EXPLANATORY STATEMENT OF REPURCHASE MANDATE

5. Effect of Takeovers Code

If a Shareholder's proportionate interest in the voting rights of the Company increases as a result of the Directors exercising the powers of the Company to repurchase Shares under the Repurchase Mandate, such increase will be treated as an acquisition of voting rights for the purposes of the Takeovers Code. As a result, a Shareholder, or group of Shareholders acting in concert, depending on the level of increase of such Shareholders' interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. As at the Latest Practicable Date, Treasure Sea Limited, a company wholly owned by Mr. Lam Kong (the Chairman of the Company) held 1,105,844,000 Shares, representing approximately 44.76% of the entire issued share capital of the Company. On the assumption that the Company will not issue and allot further Shares from the Latest Practicable Date up to the date of AGM and that the Repurchase Mandate were exercised in full, Treasure Sea Limited's shareholding in the Company would be increased to approximately 49.73% of the issued share capital of the Company. On the basis of the current shareholding of Treasure Sea Limited, an exercise of the repurchase mandate in full will result in Treasure Sea Limited becoming obliged to make a mandatory offer under Rule 26 of the Takeovers Code.

6. Share prices

The highest and lowest prices at which the Shares have been traded on the Stock Exchange of each of the previous twelve months preceding the Latest Practicable Date (from 1 April 2019 up to the Latest Practicable Date) were as follows:

		Per Share	
		Highest price	Lowest price
		HK\$	HK\$
2019	April	8.33	6.83
	May	7.02	6.29
	June	7.29	6.14
	July	8.07	7.18
	August	10.10	6.55
	September	9.94	8.69
	October	11.28	9.03
	November	13.08	10.52
	December	12.10	10.54
2020	January	12.48	9.89
	February	11.46	9.35
	March	10.30	7.00
	April (up to the Latest Practicable Date)	9.27	9.02

APPENDIX II – EXPLANATORY STATEMENT OF REPURCHASE MANDATE

7. Share repurchase made by the Company

Up to the Latest Practicable Date, the Company had repurchased a total of 9,648,000 Shares on the Stock Exchange in the six months preceding the Latest Practicable Date, details of which are as follows:

Date of Repurchase	Number of Shares Repurchased	Price per Share (HK\$)		Aggregate Consideration Paid (HK\$)
		Highest Price	Lowest Price	
11 February 2020	9,648,000	10.30	10.04	98,164,100

Save as disclosed above, up to the Latest Practicable Date, the Company had not repurchased any Shares on the Stock Exchange or otherwise in the six months preceding the Latest Practicable Date.

NOTICE OF ANNUAL GENERAL MEETING



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)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the annual general meeting (the “**AGM**”) of China Medical System Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) will be held at Queensway & Victoria, Level 3, JW Marriott Hotel, Pacific Place, 88 Queensway, Hong Kong on Thursday, 4 June 2020 at 10:00 a.m. to transact the following business:

1. To review, consider and adopt the audited consolidated financial statements of the Group, the reports of the directors of the Company (the “**Director**”) and the auditors of the Company for the year ended 31 December 2019;
2. To approve the recommended Final Dividend of RMB0.1271 (equivalent to HK\$0.139) per Share for the year ended 31 December 2019;
3.
 - (a) To re-elect Mr. Lam Kong as executive Director;
 - (b) To re-elect Mr. Chen Hongbing as executive Director;
 - (c) To re-elect Mr. Wu Chi Keung as independent non-executive Director;
 - (d) To re-elect Ms. Luo, Laura Ying as independent non-executive Director; and
 - (e) To authorise the board of Directors (the “**Board**”) to fix the Directors’ remuneration.
4. To re-appoint Deloitte Touche Tohmatsu as auditors of the Company and to authorise the Board to fix their remuneration;

* For identification purpose only

NOTICE OF ANNUAL GENERAL MEETING

5. To consider and, if thought fit, pass the following resolution as an ordinary resolution:

THAT

- (a) subject to paragraph (c) of this Resolution, pursuant to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the exercise by the Directors during the Relevant Period (as defined in paragraph (d) of this Resolution) of all the powers of the Company to allot, issue and deal with unissued shares in the share capital of the Company (the “**Shares**”) and to make or grant offers, agreements and options, warrants and other securities to subscribe for or convertible into Shares, which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this Resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements, options, warrants and other securities to subscribe for or convertible into Shares which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital of the Company allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to:
 - (i) a rights issue, which means an offer of Shares or an offer of warrants, options or other securities giving the right to subscribe for Shares, open for a period fixed by the Directors to holders of Shares on the register of members of the Company (and, where appropriate, to holders of other securities of the Company entitled to the offer) on a fixed record date in proportion to their then holdings of Shares (or, where appropriate, such other securities) as at that date (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong applicable to the Company);
 - (ii) any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of Shares or options to subscribe for, or rights to acquire, Shares;
 - (iii) any scrip dividend or similar arrangements providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the memorandum and Articles of Association of the Company; or
 - (iv) the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any other securities which are convertible into Shares, shall not exceed the aggregate of:
 - (1) 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of this Resolution; and

NOTICE OF ANNUAL GENERAL MEETING

- (2) provided that Resolutions No. 6 and No. 7 below are passed, the nominal amount of any share capital of the Company repurchased by the Company subsequent to the passing of this Resolution (up to a maximum equivalent to 10% of the aggregate nominal amount of the issued share capital of the Company on the date of the passing of this Resolution), and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly; and
 - (d) for the purpose of this Resolution, “**Relevant Period**” means the period from the passing of this Resolution until the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws of the Cayman Islands to be held; or
 - (iii) the revocation or variation of the authority given to the Directors under this Resolution by an ordinary resolution of the Shareholders in a general meeting of the Company.
6. To consider and, if thought fit, pass the following resolution as an ordinary resolution:

THAT

- (a) subject to paragraph (b) of this Resolution, the exercise by the Directors during the Relevant Period (as defined in paragraph (c) of this Resolution) of all powers of the Company to repurchase Shares on the Stock Exchange or any other exchange on which the Shares may be listed and recognised for this purpose by the Stock Exchange and the Securities and Futures Commission of Hong Kong under the Code on Share Buy-backs, subject to and in accordance with all applicable laws and the requirements of the Listing Rules or of any other stock exchange as amended from time to time be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of the Shares which may be repurchased by the Company pursuant to the approval in paragraph (a) of this Resolution during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this Resolution and the said approval shall be limited accordingly; and
- (c) for the purposes of this Resolution, “**Relevant Period**” means the period from the passing of this Resolution until the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws of the Cayman Islands to be held; or
 - (iii) the revocation or variation of the authority given to the Directors under this Resolution by an ordinary resolution of the Shareholders in a general meeting of the Company.

NOTICE OF ANNUAL GENERAL MEETING

7. To consider and, if thought fit, pass the following resolution as an ordinary resolution:

THAT

subject to the Resolutions No. 5 and No. 6 above being duly passed, the unconditional General Mandate granted to the Directors to exercise the powers of the Company to allot, issue and deal with unissued Shares pursuant to Resolution No. 5 above be and is hereby extended by the addition to the aggregate nominal amount of the share capital which may be allotted, issued and otherwise dealt with or agreed conditionally or unconditionally to be allotted, issued and dealt with by the Directors pursuant to such General Mandate an amount representing the aggregate nominal amount of the Shares repurchased by the Company since the granting of the said General Mandate pursuant to the exercise by the Directors of the powers of the Company to repurchase such Shares under the authority granted pursuant to Resolution No. 6 above provided that such amount shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of this Resolution.

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

Hong Kong, 6 May 2020

As at the date of this notice, the Directors of the Company are (i) Mr. Lam Kong, Mr. Chen Hongbing and Ms. Chen Yanling as executive Directors; and (ii) Mr. Wu Chi Keung, Mr. Leung Chong Shun and Ms. Luo, Laura Ying as independent non-executive Directors.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. The register of members of the Company will be closed from Friday, 29 May 2020 to Thursday, 4 June 2020 (both days inclusive), during which the registration of transfer of Shares will be suspended. In order to qualify for attending and voting at the AGM, all transfers of Shares accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 28 May 2020.
2. The register of members of the Company will be closed on Wednesday, 10 June 2020, on which date the registration of transfer of Shares will be suspended. To qualify for the Final Dividend, all transfers of Shares accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 9 June 2020.
3. A Shareholder entitled to attend and vote at the AGM (or at any adjournment thereof) is entitled to appoint one or more proxies to attend and, subject to the provisions of the Articles of Association of the Company, to vote on his/her behalf. A proxy need not be a Shareholder but must be present in person at the AGM (or at any adjournment thereof) to represent the shareholder. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed. In view of the ongoing novel coronavirus disease ("**COVID-19**") epidemic and in the interest of all Shareholders' health and safety, the Company reminds all Shareholders that physical attendance in person at the AGM is not necessary for the purpose of exercising voting rights. As an alternative, a Shareholder may consider to appoint any person or the Chairman of the AGM as his/her proxy to vote.
4. A form of proxy for use at the AGM is enclosed. Such form of proxy is also published on the website of the Company at www.cms.net.cn and the website of the Stock Exchange at www.hkexnews.hk. Whether or not a Shareholder is able to attend the AGM, he/she is requested to complete the form of proxy in accordance with the instructions printed thereon and return the same together with a power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, 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 holding the AGM or any adjournment thereof.
5. Completion and return of a form of proxy will not preclude a Shareholder from attending and voting in person at the AGM or any adjournment thereof should he so wish. In view of the COVID-19 epidemic, Shareholders are encouraged to adopt the appropriate way to attend the AGM.