Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

COMMON SPLENDOR INTERNATIONAL HEALTH INDUSTRY GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 286)

SUPPLEMENTAL AND CLARIFICATION ANNOUNCEMENT IN RELATION TO CAPITAL CONTRIBUTION IN AND ACQUISITION OF 100% EQUITY INTEREST IN FENGSHUO BIO MEDICAL TECH AND 51% EQUITY INTEREST IN GUANGDONG KELV BIO MEDICAL TECH COMPANY LIMITED AND CAPITAL CONTRIBUTION TO OBTAIN 28% EQUITY INTEREST IN FENGYUAN HUAKE BIO TECH

Reference is made to the announcements dated 23 November 2015 (the "**2015 Announcement**"), 28 March 2018 (the "**March 2018 Announcement**"), 6 November 2018 and 30 November 2018 (the "**November 2018 Announcement**") of Common Splendor International Health Industry Group Limited (the "**Company**"). Unless the context otherwise states, capitalised terms used in this announcement have the same meanings as those defined in the 2015 Announcement.

SUPPLEMENTAL INFORMATION IN RELATION TO THE SUPPLEMENTAL AGREEMENT

The Company would like to supplement the following information relating to the supplemental agreement dated 30 November 2018 entered into among the Purchaser, the Vendor, Mr. Zhao, the Target Company No. 1 and Fengshuo Bio Medical Tech in relation to the Agreement (the "**Supplemental Agreement**"):

Original compensation arrangement under the Agreement

Pursuant to the terms of the Agreement, and as disclosed in the 2015 Announcement, if the Guarantee Profit were not achieved, Mr. Zhao and the Vendor have undertaken to transfer a percentage of the equity interest of the Target Company No. 1 ("**X**") to the Purchaser, Fengshuo Bio Medical Tech or a company designated by the Purchaser at no further consideration, based on the following formula:

X = 28% × (RMB38,000,000/2017 Actual Profit – 1) × 100%

As disclosed in the November 2018 Announcement, the net profit after taxation of Target Company No. 1 for the year ended 31 December 2017 has been audited and the 2017 Actual Profit of the Target Company No. 1 is RMB17.68 million. Accordingly, if the original compensation arrangement under the Agreement were to be enforced and for illustration purpose only, approximately 32.18% equity interest in Target Company No. 1 would be transferred to the Purchaser, Fengshuo Bio Medical Tech or a company designated by the Purchaser.

Financial information of Target Company No. 1

The following table sets out the audited revenue, total assets and net assets value of Target Company No. 1 for the year ended 31 December 2017:

	RMB million *Approximate*
Revenue	43.57
Total assets	194.78
Net asset value	121.63

Basis of determining the new compensation arrangement under the Supplemental Agreement

As disclosed in the November 2018 Announcement, the Vendor has agreed to compensate the Purchaser in the amount of RMB5.69 million under the Supplemental Agreement. The compensation of RMB5.69 million was determined with reference to the (i) Guarantee Profit shortfall of RMB20.32 million; and (ii) 28% equity interest in Target Company No. 1 indirectly held by the Company, and calculated based on the formula below:

(RMB38,000,000 – RMB17,680,000) × 28 %

The upper and lower limits of the actual net profit

As disclosed in the November 2018 Announcement, in relation to the undertaking by Target Company No. 1 in relation to the formula for calculating the percentage of equity interest in Target Company No. 1 to be transferred in the event of a shortfall in:

(a) each of the 2018 Guarantee Net Profit or the 2019 Guarantee Net Profit, the actual net profit shall be taken as (i) RMB20 million, where it is more than RMB20 million, and (ii) RMB11.32 million, where it is less than RMB11.32 million.

    In such connection, each of the upper and lower limit of the actual net profit was reached after arm's length negotiation among the parties to the Supplemental Agreement, and in particular, when determining:

    (i) the upper limit of the actual net profit (i.e. RMB20 million), the parties to the Supplemental Agreement took into account the 2017 Actual Profit of RMB17.68 million, the business prospects and the operating environment of Target Company No. 1, including, among others, the following factors:

        - as disclosed in the 2015 Announcement, so far as the Directors are aware, Target Company No. 1 is principally engaged in the business of plantation and extraction of saponins, and is an integrated manufacturer of saponins (the intermediates for hormone drugs which are the second most commonly used drugs in the world) with its business chain covering seed provenance, seedlings, plantation, extraction and composition of saponins;

        - the business of Target Company No. 1 has become profitable since 2016, and the business scale has expanded continuously at a steady pace, with potential for further growth; and

        - it is believed that the sales of saponins, hence the profitability of Target Company No. 1, was adversely affected by the drop in market price of saponins from 2015 to 2017. However, the recent market price of saponins has gradually stabilised and it is expected to continue to rise steadily; and

    (ii) the lower limit of the actual net profit (i.e. RMB11.32 million) was determined with reference to the maximum percentage of 21% equity interest in Target Company No. 1 to be transferred for each of 2018 and 2019, in the event that Target Company No. 1 fail to achieve the audited net profit of RMB11.32 million.

(b) 2020 Guarantee Net Profit, the actual net profit shall be taken as (i) RMB38 million, where it is more than RMB38 million, and (ii) RMB11.32 million, where it is less than RMB11.32 million.

The upper limit of the actual net profit (i.e. RMB38 million) was determined with reference to the amount of Guarantee Profit as originally agreed under the Agreement, while the lower limit of the actual net profit (i.e. RMB11.32 million) was determined with reference to the maximum percentage of 66% equity interest in Target Company No. 1 to be transferred in the event Target Company No. 1 fail to achieve the net profit of RMB11.32 million.

The maximum equity interest in Target Company No. 1 to be transferred

Applying the formulas in respect of the new compensation arrangement under the Supplemental Agreement, in the event of a shortfall in the 2018 Guarantee Net Profit, the 2019 Guarantee Net Profit and the 2020 Guarantee Net Profit, the maximum equity interest in Target Company No. 1 to be transferred shall be 21%, 21% and 66%, respectively, which were reached after arm's length negotiation among the parties to the Supplemental Agreement, taking into account the following factors:

- should Target Company No. 1 fail to achieve all of the Guarantee Net Profit amounts, up to 22% equity interest in Target Company No. 1 if the entire equity interest in Target Company No. 1 held by the Vendor were to be transferred to the Purchaser in three tranches in 2018, 2019 and 2020;

- in respect of the maximum percentage of 21% equity interest in Target Company No. 1 to be transferred in the event Target Company No. 1 fail to achieve the net profit of RMB11.32 million for 2018 or 2019, the non-controlling interest of 49% equity interest in Target Company No. 1 that the Purchaser would have held in the event that Target Company No. 1 fails to achieve either the 2018 Guarantee Net Profit or the 2019 Guarantee Net Profit.

  In particular, this was determined based on the understanding that the financial performance of Target Company No. 1 was adversely affected by the drop in market price of saponins from 2015 to 2017, which is an external factor outside the control of the existing management of Target Company No. 1; and

- in respect of the maximum percentage of 66% equity interest in Target Company No. 1 to be transferred in the event Target Company No. 1 fail to achieve the net profit of RMB11.32 million for 2020, the gradual rise in market price of saponins would allow Target Company No. 1 ample time to improve its profitability in 2018 and 2019 and the expectation that its business performance would have picked up in 2020.

In particular, the management of Target Company No. 1 is expected to generally improve the profitability of Target Company No. 1 by costs control and making technical improvements during 2018 and 2019, and fully implement the relevant measures by 2020.

Given the Group's minority interest in Target Company No. 1, the Company's investment in Target Company No.1 is primarily passive and aimed at the creation of a dividend income stream for the Group. Due to the deterioration in the operating environment for Target Company No. 1, its profit has not achieved the level that was originally contemplated under the Agreement. However, taking into account the historical financial performance, business prospects, future operating environment and development pace of Target Company No. 1, the Company considers that (i) the compensation of RMB5.69 million, being the hypothetical loss in the then expected dividend income for the Purchaser taking into account the Guarantee Profit pursuant to the Agreement, under the new compensation arrangement is in line with the Company's then expectation with respect to its investment return for its attributable interest in Target Company No.1; and (ii) the three-year net profit guarantee provided under the Supplemental Agreement will give the Purchaser additional assurance in terms of Target Company No. 1's financial performance in the long-run. Accordingly, the Board considers that the new compensation arrangement under the Supplemental Agreement is fair and reasonable and in the interest of the Company and the Shareholders as a whole, as compared to the original compensation arrangement under the Agreement.

CLARIFICATION IN RELATION TO THE UNDERTAKING BY TARGET COMPANY NO. 1 UNDER THE SUPPLEMENTAL AGREEMENT

The Company wishes to clarify that the information disclosed in the November 2018 Announcement in relation to Target Company No. 1's undertaking in relation to the 2018 Guarantee Net Profit, 2019 Guarantee Net Profit and the 2020 Target Revenue, and that they shall be amended as follows:

Mr. Zhao and the Vendor agreed that, in the event that the 2018 Guarantee Net Profit or the 2019 Guarantee Net Profit are not achieved, the Vendor shall transfer X held by the Vendor to the Purchaser at no further consideration, based on the following formula:

$$X = 28\% \times (\text{RMB20 million}/\text{actual net profit} - 1) \times 100\%$$

Notes:

1. The actual net profit shall be taken as (a) RMB20 million, where it is more than RMB20 million, and (b) RMB11.32 million, where it is less than RMB11.32 million.

2. X for each of the shortfall in respect of the 2018 Guarantee Net Profit and 2019 Guarantee Net Profit, if any, shall not be more than 21%.

Mr. Zhao and the Vendor agreed that, in the event that Target Company No. 1's audited net profit for the year ending 31 December 2020 (the "**2020 Guarantee Net Profit**", together with the 2018 Guarantee Net Profit and 2019 Guarantee Net Profit, each a "**Guarantee Net Profit**") is not achieved, the Vendor shall transfer Y to the Purchaser at no further consideration, based on the following formula:

$$Y = 28\% \times (\text{RMB38 million/actual net profit} - 1) \times 100\%$$

Notes:

1. The actual net profit shall be taken as (i) RMB38 million, where it is more than RMB38 million, and (ii) RMB11.32 million, where it is less than RMB11.32 million.

2. Y, together with X for the shortfall under the 2018 Guarantee Net Profit and 2019 Guarantee Net Profit, if any, shall not, in aggregate, be more than 66%.

Accordingly, the Purchaser is entitled to receive a maximum of 66% equity interest in Target Company No. 1, representing the Vendor's entire interest in Target Company No. 1, from the Vendor at no further consideration if the 2020 Guarantee Net Profit cannot be achieved.

By Order of the Board of
Common Splendor International
Health Industry Group Limited
Cheung Wai Kuen
Chairman

Hong Kong, 19 December 2018

As at the date of this announcement, the Board comprises Mr. Cheung Wai Kuen, Mr. Cheng Hau Yan and Mr. Ye Jiong Xian as executive Directors; Mr. Hou Kai Wen and Mr. Lin Jiang as non-executive Directors; and Mr. Lam Chi Wing, Mr. Mai Yang Guang, and Mr. Wong Yiu Kit, Ernest as independent non-executive Directors.