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Creso Pharma enters lucrative China market through Strategic Partnership and Commercial Distribution agreement with Zhejiang Kingdom Creative Co., Ltd, a subsidiary of Hong Kong-listed company, Kingdom Group.

Highlights:

- **Creso Pharma establishes Strategic Partnership and Commercial Distribution agreement with hemp-producer Zhejiang Kingdom Creative Co., Ltd (Kingdom Creative), a subsidiary of Hong Kong-listed company, Kingdom Group.**
- **Hong Kong-listed Kingdom Group's revenue for the six months ending June 30, 2017 was RMB454.8mn (A\$90.6mn).**
- **Agreement provides Creso with a strategic foothold in China and allows Kingdom Creative to expand its product offering into the healthcare sector using Creso's expertise in hemp- and cannabis-based nutraceutical and medical cannabis therapeutics and products.**
- **The Chinese health food market is currently valued at RMB200 billion (US\$30 billion; A\$39.62 billion) and is projected to grow by 10 per cent every year to 2025.**
- **Kingdom Creative will import Creso's innovative human and animal health hemp- and cannabis-derived products and invest in the marketing and distribution of these products in the local China market.**
- **Creso now has a foothold in China to be able to offer the Chinese a range of products from nutraceuticals to therapeutic and medicinal – both for human and animal health.**
- **The collaboration will see Kingdom Creative vertically integrate beyond hemp fibre and diversify into value-added, hemp-based nutraceuticals for human and animal health as well as cosmetics and age-defying beauty products.**
- **The two companies will collaborate to distribute the hemp- and cannabis-based products for human and animal health as well as cosmetics, body care and medical cannabis products across China.**



In light of this agreement, Creso has opened four offices in China in Beijing, Shanghai, Shenzhen and Guangzhou giving it a sales and marketing presence and local distribution network for its products.

- **Creso has a first-mover advantage in China giving it strategic reach throughout China as well as the rest of Asia.**
- **Creso is in advanced discussions with other Asian pharmaceutical and cosmetic groups, opening the path to bring Creso's products and IP to Asia in a fast, effective and efficient manner to be able to reach a massive population of consumers and patients.**

Creso Pharma Limited (ASX:CPH, the "Company" or "Creso") is pleased to announce that it has entered the lucrative Chinese market with a Strategic Partnership and Commercial Distribution agreement with Zhejiang Kingdom Creative Co., Ltd (Kingdom Creative), a subsidiary of Hong Kong-listed Kingdom Group.

Kingdom Creative is an investment company with a diversified investment portfolio including retail businesses, banking, finance leasing and biotechnology companies.

Primarily a hemp and flax-based linen production company, Kingdom Creative is located in China's Zhejiang province. The Company is involved in hemp cultivation and processing and is looking to expand its product offering into the healthcare sector using Creso's expertise in hemp- and cannabis-based nutraceutical and medical cannabis therapeutics and products.

The agreement provides Creso with a strategic foothold in China to be able to offer the Chinese a range of products from nutraceuticals to therapeutic and medicinal – both for human and animal health – and allows Kingdom Creative to vertically integrate beyond textiles and diversify into value-added, hemp-based nutraceuticals for human and animal health as well as cosmetics and age-defying beauty products.

Under the move, the two companies will collaborate on research and development as well as the distribution of hemp- and cannabis-based nutraceutical, cosmetics and body care products across China. Kingdom Creative will purchase and import Creso's current and future innovative human and animal health hemp- and cannabis-derived products and invest in marketing and distribution efforts to support the successful introduction and sale of these products into the vast local market.

In light of the agreement, Creso has also opened up offices in Beijing, Shanghai, Shenzhen and Guangzhou, giving it a sales and marketing presence and further local distribution options in China for its products. It will also enable Creso to rapidly expand into other Asian markets.

The Chinese health food market – which includes vitamins, dietary supplements and minerals, animal and herbal extracts and traditional Chinese medicine – is currently valued at RMB200 billion (US\$30 billion; A\$39.62 billion) and is projected to grow by 10 per cent every year between now and 2025.ⁱ China is the world's largest producer of pharma ingredients and the world's second-largest pharma market. It is projected to reach a staggering US\$158 billion (A\$208.73 billion) worldwide in 2016 and grow at a CAGR 7.7% between 2014 and 2019.ⁱⁱ Sales for medical cannabis in China are also expected to grow with China progressively opening up legislation to allow hemp-based and medical cannabis products to be available to patients.



Kingdom Creative will also build an innovative health food, nutraceuticals, body care and cosmetic company, giving Creso further access and scale in China. Creso will bring its current and future products both in the form of ingredients for local manufacturing and fully manufactured products for sale by Kingdom Creative in China.

Creso and Kingdom Creative will enter into a definitive agreement within three months of execution to further define the collaboration and commercial terms. This will include consideration of expansion into additional territories.

“This is a very exciting partnership for Creso as it gives us a strategic foothold in China and Asia. Our collaboration with Kingdom Creative offers a great opportunity to work with a well-established and substantial organisation in this market,” said Creso Pharma CEO and Co-Founder, Dr. Miri Halperin Wernli.

“At the same time, the opening up of four offices in major Chinese cities strongly augments this agreement and gives the partnership additional sales and marketing support and our own local distribution network. We will use this presence to expand into other strategic Asian markets.”

Mr. Ren Weiming, Kingdom Creative Chief Executive Officer added: “We look forward to collaborating with Creso to develop and commercialise medical grade cannabis and cannabis and hemp-based therapeutic products in China.”

Creso is also in advanced discussions with other Asian pharmaceutical and cosmetic groups opening the path to bring Creso’s products and IP to Asia in a fast, effective and efficient manner to be able to reach a massive population of consumers and patients.

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About Creso Pharma

Creso Pharma is bringing the best of Cannabis to better the lives of people and animals. Creso brings pharmaceutical expertise and methodological rigour to the world of medicinal cannabis and strives for the highest quality in its products. It is a global leader in medicinal cannabis and cannabidiol (CBD) innovation and developing cannabis and hemp-derived therapeutic-grade CBD nutraceuticals and medicinal cannabis products with wide patient reach for human and animal health. Creso uses GMP development and manufacturing standards for its products as a reference of quality excellence with initial product registrations in Switzerland. Creso has worldwide rights for a number of unique and proprietary innovative delivery technologies which enhance the bioavailability and absorption of cannabinoids.

About Kingdom

Zhejiang Kingdom Creative Co., Ltd. was founded in 1978. Kingdom Creative is an investment company with a diversified investment portfolio including retail businesses, banking, finance leasing and biotechnology companies. Kingdom Holdings Limited was founded in 1999, with total assets of RMB1.4 billion (A\$279 million), more than 2,500 employees and three production factories, as well as an organic flax raw material production base (Xinjiang Zhaosu Jindi Flax Co., Ltd.). Kingdom Holdings Limited was listed on the Hong Kong Stock Exchange (HKEx) on 12 December 2006.

ⁱ *The Boston Consulting Group, From Insight to Action: Capturing a Share of China's Consumer Health Market, February 2014, accessed 7 February 2017.*

ⁱⁱ <https://www.cphi.com/china/visit/why-visit/china-pharma-industry>