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CHARMACY PHARMACEUTICAL CO., LTD. **創美藥業股份有限公司**

(A joint stock limited liability company incorporated in the People's Republic of China)

(Stock Code: 2289)

PROPOSED FURTHER CHANGE IN USE OF PROCEEDS FROM THE GLOBAL OFFERING

References are made to the prospectus of Charmacy Pharmaceutical Co., Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 2 December 2015 (the “**Prospectus**”) and the announcement dated 11 December 2015 in relation to the offer price and allotment results of the Global Offering (the “**Global Offering**”) and the announcement of Proposed Change in Use of Proceeds from the Global Offering dated 21 March 2017 (the “**Announcement of First Change in Use of Proceeds**”), as well as the circular containing (among other things) details for proposed change in use of proceeds from the Global Offering dated 25 April 2017 (the “**Circular**”) and the ordinary resolution “to consider and approve the change in use of proceeds from the Global Offering” that has been passed by way of poll at the annual general meeting of the Company on 10 June 2017. Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the Prospectus, the Announcement of First Change in Use of Proceeds and the Circular.

FIRST CHANGE IN USE OF PROCEEDS FROM THE GLOBAL OFFERING

According to the Announcement of First Change in Use of Proceeds and the Circular, the Company intends to use the unutilised proceeds, which is expected to be approximately RMB69.23 million, for the following purposes (“**First Revised Allocation**”):

- (a) approximately RMB29.88 million will be used to strengthen, expand and integrate the existing distribution network and capability, the details of which are set out below:
- approximately RMB9.58 million will be used to upgrade the logistic facilities of the logistics and distribution centres;
 - approximately RMB8.30 million will be used to purchase refrigerated transportation vehicles; and
 - approximately RMB12.00 million will be used to upgrade information systems.

- (b) approximately RMB4.03 million will be used to improve and promote the B2B e-commerce platform, the details of which are set out below:
- approximately RMB2.00 million will be used for improving the system of the B2B e-commerce platform of the Company; and
 - approximately RMB2.03 million will be used for the marketing and promotional activities of the B2B e-commerce platform;
- (c) approximately RMB35.32 million will be used to acquire pharmaceutical distribution business in the Southern China region.

As at the date of this announcement, net unutilised proceeds was expected to be approximately RMB21.93 million (“**Second Balance of the Proceeds**”). Table 1 below summarises the use of the First Revised Allocation of the proceeds of the Company as of the date of this announcement:

Table 1

	First Revised Allocation of the net proceeds <i>(Approximately RMB million)</i>	Amount utilised as of the date of this announcement <i>(Approximately RMB million)</i>	Second Balance of the Proceeds <i>(Approximately RMB million)</i>
To acquire pharmaceutical distribution business in the Southern China region	35.32	33.48	1.84
To strengthen, expand and integrate distribution network development and capabilities	29.88	11.80	18.08
Including: To upgrade facilities of logistic centres	9.58	4.89	4.69
To acquire refrigerated transportation vehicles	8.30	1.85	6.45
To upgrade information systems	12.00	5.06	6.94
To improve and promote the B2B platform	4.03	2.02	2.01
Including: To upgrade and renovate the B2B platform	2.00	2.00	0.00
Marketing and promotional activities	2.03	0.02	2.01
Total	69.23	47.30	21.93

CHANGE IN USE OF PROCEEDS

On 20 July 2017, the Board of the Directors (the “**Board**”) of the Company resolved to change the use of the Second Balance of the Proceeds, which was expected to be approximately RMB21.93 million (the “**Second Revision Proposals for Allocation**”), the details of which are set out in Table 2 below:

Table 2

	Second Revision Proposals for Allocation of net proceeds <i>(Approximately RMB million)</i>	Approximate percentage of the Second Balance of the Proceeds
To strengthen, expand and integrate distribution network development and capabilities	8.76	39.95%
Including: To upgrade logistic facilities of logistic centres	5.92	26.99%
To acquire refrigerated transportation vehicles	1.20	5.47%
To upgrade information systems	1.64	7.48%
To establish a company in Shenzhen to expand the distribution network, extend the customer base and boost the turnover	13.17	60.05%
Total	21.93	100.00%

REASONS FOR PROPOSED CHANGE IN USE OF PROCEEDS

For the purpose of enhancing the utilization efficiency of the actual net proceeds from the Global Offering of the Company, the Board resolved to revise the use of the remaining balance of the unutilised net proceeds, which was expected to be RMB21.93 million in total:

- (a) approximately RMB8.76 million will be used for strengthening, expanding and integrating the existing distribution network and capabilities, the details of which are set out below:
- approximately RMB5.92 million will be used for upgrading the logistic facilities of logistic centres;
 - approximately RMB1.20 million will be used for the acquisition of refrigerated transportation vehicles; and
 - approximately RMB1.64 million will be used for upgrading information systems.

- (b) Regarding the net of the Second Balance of the Proceeds (after deducting the aforementioned (a) proceeds) as of the date of this announcement, the balance of proceeds for the following purposes, i.e. strengthening, expanding and integrating distribution network development and capabilities, improving and promoting the B2B platform and acquiring pharmaceutical distribution business in the Southern China region, will be reallocated for establishing a company in Shenzhen so as to expand the distribution network, extend the customer base and boost the turnover. The actual amount used for establishing the company in Shenzhen is subject to the actual remaining proceeds from the Global Offering for the planned purposes.

The above changes in use of net proceeds and reallocation will enable the Company to deploy its financial resources more effectively, and the establishment of a company in Shenzhen enables the Company to expand its distribution network in Shenzhen and its surrounding cities at a faster pace, extend the customer base and boost the turnover. And the Board considers that those changes will provide more business development opportunities in the future, be more in line with the current business needs of the Company and be beneficial to the continuing and rapid development of the Group, so as to strengthen the overall market position of the Group.

The Board confirms that there is no material change in the business nature of the Group as set out in the Prospectus and considers that the above changes in use of net proceeds are in the best interests of the Company and its shareholders as a whole.

OTHER MATTERS

According to the Articles of Association of the Company and the relevant laws and regulations, the Second Revision Proposals for Allocation is subject to the approval of the shareholders of the Company by way of ordinary resolution at the general meeting of the Company. The Company has resolved at the Board meeting held on 20 July 2017 that an ordinary resolution to consider and approve the Second Revision Proposals for Allocation and to authorize the Board and its authorized persons to do such other matters will be proposed at the forthcoming extraordinary general meeting of the Company (the “EGM”) to be convened by the Board in due course. A circular containing, among other things, the details of the Second Revision Proposals for Allocation and a notice of the EGM will be dispatched to the shareholders of the Company in due course.

By order of the Board
Charmacy Pharmaceutical Co., Ltd.
Yao Chuanglong
Chairman

Hong Kong, 20 July 2017

As at the date of this announcement, the executive directors of the Company are Mr. Yao Chuanglong, Ms. Zheng Yuyan and Mr. Lin Zhixiong; the non-executive directors of the Company are Ms. You Zeyan and Mr. Li Weisheng; and the independent non-executive directors of the Company are Mr. Wan Chi Wai Anthony, Mr. Zhou Tao and Mr. Guan Jian (also known as Guan Suzhe).