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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)**

**DISCLOSEABLE TRANSACTION**

**TENANCY AGREEMENT FOR PROPERTIES AND DORMITORY**

**TENANCY AGREEMENT**

On 4 October 2017 (after trading hours), the Company and the Lessor entered into the Tenancy Agreement pursuant to which the Lessor agrees to let the Properties and the Dormitory to the Company for a term commencing from 4 October 2017 until 31 December 2025 (both days inclusive) for an aggregate rent and management fee of approximately RMB59,274,189.

**LISTING RULES IMPLICATION**

As one of the applicable percentage ratios calculated in respect of the Tenancy Agreement are more than 5% but less than 25%, the transaction contemplated under the Tenancy Agreement is a discloseable transaction for the Company and is subject to the reporting and announcement requirements, but is exempted from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

## TENANCY AGREEMENT

The principal terms of the Tenancy Agreement for the leasing of the Properties and the Dormitory are set out as below:

- Date : 4 October 2017 (after trading hours)
- Parties : (a) the Company (as the lessee); and  
(b) the Lessor (as the lessor)

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Lessor and its ultimate beneficial owner(s) are Independent Third Parties.

- Term : The Tenancy Agreement shall have a term commencing from 4 October 2017 until 31 December 2025 (both days inclusive) subject to mutually agreed termination of the Tenancy Agreement by both parties or the respective rights of the Company and the Lessor to terminate the Tenancy Agreement upon an event of default caused by the other party as specified therein.

- Rent and management fee : The aggregate rent and management fee during the term of the Tenancy Agreement is approximately RMB59,274,189, inclusive of tax and exclusive of water and electricity bill and other utility charges in relation to the use of the Properties and the Dormitory.

No rent and management fee is to be payable for the period from 4 October 2017 to 31 December 2017.

Among the aggregate rent and management fee of RMB59,274,189:

- (a) approximately an aggregate of RMB52,727,181, representing the total of the rent of the Properties during the term of the Tenancy Agreement, shall be payable by the Company to the Lessor commencing from 1 January 2018 on a monthly basis and before the 10th day of the month in the following manner:
- (i) for the period from 1 January 2018 to 31 December 2019, the monthly rent shall be approximately RMB473,382;

- (ii) for the period from 1 January 2020 to 31 December 2021, the monthly rent shall be approximately RMB520,720, representing a rise of 10% of the prior 24 months period;
  - (iii) for the period from 1 January 2022 to 31 December 2023, the monthly rent shall be approximately RMB572,792, representing a rise of 10% of the prior 24 months period; and
  - (iv) for the period from 1 January 2024 to 31 December 2025, the monthly rent shall be approximately RMB630,071, representing a rise of 10% of the prior 24 months period.
- (b) approximately an aggregate of RMB1,497,600, representing the total of the monthly rent of RMB15,600 of the Dormitory during the term of the Tenancy Agreement, shall be payable by the Company to the Lessor commencing from 1 January 2018 on a monthly basis and before the 10th day of the month; and
- (c) approximately an aggregate of RMB5,049,408, representing the total of the monthly property management fee of RMB52,598 during the term of the Tenancy Agreement, shall be payable by the Company to the Lessor commencing from 1 January 2018 on a monthly basis and before the 10th day of the month.

The rent and the property management fee were arrived after arm's length negotiations between the Company and the Lessor and by reference to the prevailing rate of similar properties in the nearby areas and the expected rate of inflation during the term of the Tenancy Agreement.

Deposit : Within 3 days of the signing of the Tenancy Agreement, the Company shall pay a deposit of RMB946,764 to the Lessor which shall be refunded by the Lessor to the Company within 30 days after the expiry of the Tenancy Agreement provided that the Company has not been in breach of the Tenancy Agreement.

Termination : The Company may terminate the Tenancy Agreement by tendering three (3) months' prior notice in writing to the Lessor.

## **REASONS AND BENEFITS OF ENTERING INTO THE TENANCY AGREEMENT**

The Group is mainly engaged in the distribution of pharmaceuticals with two large pharmaceutical logistics centres in Shantou and Foshan, the PRC, respectively. In order to intensively engage itself in the Southern China market and broaden its pharmaceutical distribution network, the Group has been proactively seeking new logistics centers in Southern China market, particularly Shenzhen. By renting the Properties as the new logistics centre and the Dormitory providing accommodation to the staff of the Company, it is expected that the Group will be able to enhance its market positioning and widen the coverage of the Company in the end market of Shenzhen, which in turn will enhance the value of the Company and will be beneficial to the Company and its shareholders as a whole.

The Board is of the view that the terms of the Tenancy Agreement (including the rent) are on normal commercial terms, fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

## **INFORMATION OF THE PARTIES**

### **The Company**

The Company is one of the leading pharmaceutical distributors in Southern China with two large pharmaceutical logistics centres in Shantou and Foshan, the PRC, respectively.

### **The Lessor**

The Lessor is a company incorporated in the PRC which is principally engaged in cultural events planning, property management, etc. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Lessor and its ultimate beneficial owner(s) are Independent Third Parties.

## **LISTING RULES IMPLICATIONS**

As one of the applicable percentage ratios calculated in respect of the Tenancy Agreement are more than 5% but less than 25%, the transaction contemplated under the Tenancy Agreement is a discloseable transaction for the Company and is subject to the reporting and announcement requirements, but is exempted from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

## DEFINITIONS

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

“Board”	the board of directors of the Company
“Company”	Charmacy Pharmaceutical Co., Ltd. (創美藥業股份有限公司), a joint stock company established in the PRC with limited liability, whose H Shares are listed and traded on the Stock Exchange (stock code: 2289)
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Dormitory”	12 rooms used for dormitory and located in the Longgang District, Shenzhen, the PRC
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign share(s) in the share capital of the Company with nominal value of RMB1.00 each, which is/are listed and traded on the Stock Exchange
“Independent Third Party(ies)”	individual(s) or company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any member of the Group, the Directors, chief executive and substantial shareholders of the Company and its subsidiaries and their respective associates
“Lessor”	Shenzhen Xingrun Culture Technology Co. Ltd.* (深圳市興潤文化科技有限公司) which is the lessor under the Tenancy Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratios”	has the meaning ascribed thereto under Chapter 14 of the Listing Rules
“PRC”	The People’s Republic of China
“Properties”	the two storey properties which is used for warehouse and office with total floor area of 15,028 square meters and located in the Longgang District, Shenzhen, the PRC

“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreement”	the tenancy agreement dated 4 October 2017 entered into between the Lessor as the lessor and the Company as lessee in respect of the renting of the Properties and Dormitory
“%”	per cent

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

Hong Kong, 4 October 2017

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

\* *For identification purpose only*