

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.



創美·CH'MEI

CHARMACY PHARMACEUTICAL CO., LTD.

創美藥業股份有限公司

(A joint stock limited liability company established in the PRC)
(Stock Code: 2289)

ANNOUNCEMENT PURSUANT TO RULES 3.7 AND 3.8 OF THE TAKEOVERS CODE, RULE 13.09 OF THE LISTING RULES AND PART XIVA OF THE SFO AND RESUMPTION OF TRADING

The Company has been informed by its controlling Shareholder, Mr. Yao, that he is in discussion with the Potential Purchaser on the possible acquisition by the Potential Purchaser an aggregate of 40,112,500 Domestic Shares held by Mr. Yao and other Domestic Shareholders (which together represents approximately 37.14% of the total issued share capital of the Company as at the date of this announcement). In that connection, Mr. Yao and the Potential Purchaser signed the Letter of Intent.

As at the date of this announcement, Mr. Yao owns 59,000,000 Domestic Shares, representing approximately 54.63% of the issued share capital of the Company. Pursuant to the Letter of Intent, the Sale Shares will be transferred to the Potential Purchaser in two batches. Under the First Delivery, Mr. Yao shall transfer 14,750,000 Domestic Shares held by him (representing approximately 13.66% of the total issued share capital of the Company) to the Potential Purchaser and procure other Domestic Shareholders to transfer 14,300,000 Domestic Shares (representing approximately 13.24% of the total issued share capital of the Company) to the Potential Purchaser. After the First Delivery, the Potential Purchaser shall hold 29,050,000 Domestic Shares (representing approximately 26.90% of the total issued share capital of the Company), whilst Mr. Yao shall hold 44,250,000 Domestic Shares (representing approximately 40.97% of the total issued share capital of the Company). The transfer of Domestic Shares under the First Delivery shall be completed and registered within 15 days after the fulfillment of the condition(s) precedent stipulated in the Formal Agreement. Under the Second Delivery, Mr. Yao shall transfer 11,062,500 Domestic Shares held by him (representing approximately 10.24% of the total issued share capital of the Company) to the Potential Purchaser at the same price as the First Delivery. The Second Delivery shall be conducted after the Selling Restriction is lifted. The transfer of Shares under the Second Delivery shall be completed and registered within 30 days after the lifting of the Selling Restriction. After the Second Delivery, the Potential Purchaser shall hold 40,112,500 Shares

(representing approximately 37.14% of the total issued share capital of the Company), whilst Mr. Yao shall hold 33,187,500 (representing approximately 30.73% of the total issued share capital of the Company).

To ensure that the Second Delivery is carried out, the Parties agreed that the Potential Purchaser shall have the right to request Mr. Yao to delegate the voting rights of the Second Batch of Shares to the Potential Purchaser at the time of delivery of the First Batch of Shares, and to procure the Potential Purchaser to become the controlling Shareholder. Moreover, after the First Delivery, to realise financial consolidation, the Potential Purchaser shall have the majority control in the Board of Directors as permitted under the Takeovers Code to the effect that the financial results of the Company will be consolidated into the accounts of the Potential Purchaser.

While the final amount of the Consideration is yet to be agreed between the Parties, pursuant to the Letter of Intent, the Parties agreed that the transfer price of the Shares shall be set out in the Formal Agreement. The final transfer price per Share shall be subject to the approval of competent state-owned assets supervision authorities. The Consideration shall be settled in RMB.

The Possible Transaction gives rise to the possibility of an acquisition of an interest in the Shares that may lead to an obligation of the Potential Purchaser to make a mandatory general offer under Rule 26.1 of the Takeovers Code (such offer, if made, is expected to be solely in cash).

The Company has been informed that no legally binding agreement has been entered into for the Possible Transaction as at the date of this announcement. Accordingly, there is no certainty that the Possible Transaction or any similar transaction will materialise or ultimately be consummated and the discussions may or may not lead to a mandatory general offer under Rule 26.1 of the Takeovers Code. Shareholders and potential investors are urged to exercise caution when dealing in the securities of the Company, and if they are in doubt about their position, they should consult their professional advisers.

In accordance with Rule 3.7 of the Takeovers Code, monthly announcement(s) will be made by the Company setting out the progress of the discussions until announcement of firm intention to make an offer under Rule 3.5 of the Takeovers Code or of a decision not to proceed with an offer is made. Further announcement(s) will be made by the Company as and when appropriate or required in accordance with the Listing Rules and the Takeovers Code (as the case may be).

At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 9:00 a.m. on 18 October 2021 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares from 9:00 a.m. on 22 October 2021.

This announcement is made by the Company pursuant to Rules 3.7 and 3.8 of the Takeovers Code, Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the SFO.

THE LETTER OF INTENT

The Company has been informed by its controlling Shareholder, Mr. Yao, that he is in discussion with the Potential Purchaser on the possible acquisition by the Potential Purchaser an aggregate of 40,112,500 issued Domestic Shares held by Mr. Yao and other Domestic Shareholders (which together represents approximately 37.14% of the total issued share capital of the Company as at the date of this announcement). In that connection, Mr. Yao and the Potential Purchaser signed the Letter of Intent.

As at the date of this announcement, Mr. Yao owns 59,000,000 Domestic Shares, representing approximately 54.63% of the issued share capital of the Company, while the other Domestic Shareholders intended to sell their Domestic Shares in the Possible Transaction owns an aggregate of 14,300,000 Domestic Shares, representing approximately 13.24% of the total issued share capital of the Company.

The Potential Purchaser is a company listed on the Shenzhen Stock Exchange. The Potential Purchaser is primarily engaged in the wholesaling and retailing of medicines and medical devices. The Potential Purchaser is a third party independent of the Company and the connected persons (as defined under the Listing Rules) of the Company.

Share transfer

Under the Company Law of the PRC, shares transferred each year by the directors, supervisors and senior management of a joint stock limited company during their respective term of office shall not exceed 25% of the total shares they held in the company. Accordingly, Mr. Yao, as the executive Director is subject to a selling restriction (the “**Selling Restriction**”) for the purpose of the Possible Acquisition. Assuming the First Delivery taking place by 31 December 2021, the Selling Restriction will be lifted on the commencement of next year (i.e. 1 January 2022) after the First Delivery, after which Mr. Yao is permitted to conduct the Second Delivery. The Potential Purchaser intends to acquire the controlling interest of the Company by acquiring an aggregate of 40,112,500 Domestic Shares held by Mr. Yao and other Domestic Shareholders (which together represents approximately 37.14% of the total issued share capital of the Company as at the date of this announcement). The transfer of Shares shall be conducted in the following manner:

(i) First delivery

Mr. Yao shall transfer 14,750,000 Domestic Shares held by him (representing approximately 13.66% of the total issued share capital of the Company) to the Potential Purchaser, and procure other Domestic Shareholders to transfer 14,300,000 Domestic Shares (representing approximately 13.24% of the total issued share capital of the Company) to the Potential Purchaser (the “**First Delivery**”). The transfer of Shares under the First Delivery shall be completed and registered within 15 days after the fulfillment of the condition(s) precedent stipulated in the Formal Agreement. After the First Delivery, the Potential Purchaser shall hold 29,050,000 Domestic Shares (representing approximately 26.90% of the total issued share capital of the Company) (the “**First Batch of Shares**”), whilst Mr. Yao shall hold 44,250,000 Domestic Shares (representing approximately 40.97% of the total issued share capital of the Company).

(ii) Second delivery

Mr. Yao shall transfer 11,062,500 Domestic Shares held by him (representing approximately 10.24% of the total issued share capital of the Company) (the “**Second Batch of Shares**”) to

the Potential Purchaser at the same price as the First Delivery (the “**Second Delivery**”). The Second Delivery shall be conducted after the Selling Restriction is lifted. The transfer of Shares under the Second Delivery shall be completed and registered within 30 days after the lifting of the Selling Restriction. After the Second Delivery, the Potential Purchaser shall hold 40,112,500 Shares (representing approximately 37.14% of the total issued share capital of the Company), whilst Mr. Yao shall hold 33,187,500 (representing approximately 30.73% of the total issued share capital of the Company).

To ensure that the Second Delivery is carried out in accordance with the above, the Parties further agreed that the Potential Purchaser shall have the right to request Mr. Yao to delegate the voting rights of the Second Batch of Shares to the Potential Purchaser at the time of delivery of the First Batch of Shares, and to procure the Potential Purchaser to become the controlling Shareholder. Moreover, after the First Delivery, to realise financial consolidation, the Potential Purchaser shall have the majority control in the Board of Directors as permitted under the Takeovers Code to the effect that the financial results of the Company will be consolidated into the accounts of the Potential Purchaser.

Consideration

While the final amount of the Consideration is yet to be agreed between the Parties, pursuant to the Letter of Intent, the Parties agreed that the transfer price of the Shares shall be set out in the Formal Agreement. The final transfer price per Share shall be subject to the approval of the competent state-owned assets supervision authorities. The Consideration shall be settled in RMB.

Earnest Money

The Potential Purchaser shall pay the Earnest Money of RMB30,000,000 into the Bank Account on the Business Day following the day of opening of the Bank Account. After 31 December 2021, the Potential Purchaser shall have the right to request the removal of the co-management of the Earnest Money. As informed by Mr. Yao, in the case where the Parties did not enter into the Formal Agreement, the Earnest Money will be returned. In the case where the Parties signed the Formal Agreement, the Potential Purchaser can elect to request for the return of the Earnest Money, or to transfer the Earnest Money to Mr. Yao and/or the Domestic Shareholder to settle a part of the Consideration. Mr. Yao shall, within 7 days upon issue of the written notice by the Potential Purchaser, cooperate in returning the Earnest Money and the interest accrued from the Bank Account to the Potential Purchaser. The Potential Purchaser shall not claim any possession fee or other additional benefits for the Earnest Money unless Mr. Yao fails to cooperate in returning the Earnest Money to the Potential Purchaser within the stipulated time.

Signing of the Formal Agreement

The Parties agreed to obtain the relevant approvals necessary for the Possible Transaction as soon as possible, including but not limited to competent state-owned assets supervision authorities’ approval and the declaration of concentration of business operators. The Formal Agreement shall be signed before 31 December 2021, failing which either party may terminate the Letter of Intent.

Exclusivity

Pursuant to the Letter of Intent, Mr. Yao agreed that he will not enter into any agreement or conduct any discussions or negotiations with any person or entity (other than with the Potential Purchaser and/or its holding companies or affiliates) in respect of the Possible Transaction or any other

transaction concerning the transfer of the controlling interest of the Company for a period commencing on the date of the Letter of Intent (i.e. 15 October 2021) and ending on 31 December 2021, failing which Mr. Yao shall return the Earnest Money to, and pay liquidated damages of not less than 10% of the Earnest Money to the Potential Purchaser.

Potential mandatory offer

If the Possible Transaction materialises and triggers a mandatory offer, the Parties shall handle the mandatory offer in accordance with applicable laws and regulations and the Takeovers Code.

Approval and filing procedures

The Potential Purchaser shall proceed with the Possible Transaction based on its preliminary due diligence work and shall obtain the corresponding regulatory approvals. Mr. Yao agrees to cooperate with the Potential Purchaser in carrying out work including auditing and valuation of the Company in accordance with the requirements of the competent state-owned assets supervision authorities. Based on the business scale of the Potential Purchaser and the Company, the Parties understand that the Possible Transaction will trigger the requirement of declaration of concentration of business operators and have agreed that obtaining the approval of the concentration of business operators is a condition precedent for the completion of the acquisition of the Sales Shares. If the Potential Purchaser is required to complete foreign direct investment registration and complete relevant filing in respect of the acquisition of the foreign invested shares by an offer, Mr. Yao shall assist the Potential Purchaser on completing the relevant procedures and the Parties agree completing such procedure is a condition precedent for the completion of the acquisition of the Sales Shares.

IMPLICATIONS UNDER THE TAKEOVERS CODE

The Possible Transaction gives rise to the possibility of an acquisition of an interest in the Shares that may lead to an obligation of the Potential Purchaser to make a mandatory general offer under Rule 26.1 of the Takeovers Code (such offer, if made, is expected to be solely in cash).

SECURITIES OF THE COMPANY

As at the date of this announcement, the relevant securities of the Company comprise 108,000,000 Shares in issue, among which 28,000,000 are H Shares and 80,000,000 are Domestic Shares. Save for the aforesaid, the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the date of this announcement.

MONTHLY UPDATE

In accordance with Rule 3.7 of the Takeovers Code, monthly announcement(s) will be made by the Company setting out the progress of the discussions until announcement of firm intention to make an offer under Rule 3.5 of the Takeovers Code or of a decision not to proceed with an offer is made. Further announcement(s) will be made by the Company as and when appropriate or required in accordance with the Listing Rules and the Takeovers Code (as the case may be).

DEALINGS DISCLOSURE

For the purposes of the Takeovers Code, the offer period commences from the date of this announcement, being 21 October 2021. In accordance with Rule 3.8 of the Takeovers Code, associates of the Company (as defined in the Takeovers Code, including among others, Shareholders

who own or control 5% or more of any class of relevant securities of the Company (as defined in Note 4 to Rule 22 of the Takeovers Code) and the Potential Purchaser respectively, or any person who as a result of any transaction owns or controls 5% or more of any class of relevant securities of the Company) are hereby reminded to disclose their dealings in the relevant securities of the Company pursuant to the requirements of the Takeovers Code.

In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

WARNINGS: THE COMPANY HAS BEEN INFORMED THAT NO LEGALLY BINDING AGREEMENT HAS BEEN ENTERED INTO FOR THE POSSIBLE TRANSACTION AS AT THE DATE OF THIS ANNOUNCEMENT. ACCORDINGLY, THERE IS NO CERTAINTY THAT THE POSSIBLE TRANSACTION OR ANY SIMILAR TRANSACTION WILL MATERIALISE OR ULTIMATELY BE CONSUMMATED AND THE DISCUSSIONS MAY OR MAY NOT LEAD TO A MANDATORY GENERAL OFFER UNDER RULE 26.1 OF THE TAKEOVERS CODE. SHAREHOLDERS AND POTENTIAL INVESTORS ARE URGED TO EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF THE COMPANY, AND IF THEY ARE IN DOUBT ABOUT THEIR POSITION, THEY SHOULD CONSULT THEIR PROFESSIONAL ADVISERS.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 9:00 a.m. on 18 October 2021 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares from 9:00 a.m. on 22 October 2021.

DEFINITIONS

Unless the context requires otherwise, the following expressions shall have the following meanings in this announcement:

“Bank Account” a supervisory bank account to be jointly opened by the Parties within 7 Business Days after the signing of the Letter of Intent

“Board” or “Board of Directors”	the board of Directors
“Business Day”	a day on which banks in Hong Kong and the PRC are open for normal banking business throughout their normal business hours (excluding Saturdays, Sundays, public holidays or a day on which tropical cyclone warning signal number 8 or above or a black rainstorm warning is in force at any time during such day in Hong Kong)
“Company”	Charmacy Pharmaceutical Co., Ltd., a joint stock limited liability company established in the PRC, whose H Shares are listed and traded on the Main Board of the Stock Exchange (stock code: 2289)
“Consideration”	the total consideration for the Sale Shares payable by the Potential Purchaser pursuant to the Formal Agreement
“Director(s)”	director(s) of the Company
“Domestic Share(s)”	the ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi by PRC nationals and/or PRC corporate entities
“Domestic Shareholders”	holders of Domestic Shares. As informed by Mr. Yao, the Domestic Shareholders who intended to sell their Domestic Shares in the Possible Transaction are Ms. Liu Jigui (劉吉貴), Ms. Wu Binhua (吳濱華), and Ms. Wu Waping (吳玩平), who owns 5,400,000, 5,400,000 and 3,500,000 Domestic Shares, respectively (representing approximately 5.00%, 5.00% and 3.24% of the total issued share capital of the Company, respectively)
“Earnest Money”	a sum of RMB30,000,000 to be transferred by the Potential Purchaser to the Bank Account that represents the Potential Purchaser’s good faith to complete the Potential Transaction
“First Batch of Shares”	has the meaning given to it under the section headed “Letter of Intent – Share transfer”
“First Delivery”	has the meaning given to it under the section headed “Letter of Intent – Share transfer”
“Formal Agreement”	a formal sale and purchase agreement for the Possible Transaction to be entered into by the Parties
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“H Shares”	overseas listed foreign invested shares in the share capital of the Company, which are listed on the main board of the Stock Exchange with a nominal value of RMB1.00 each
“Letter of Intent”	the letter of intent entered into between the Potential Purchaser and Mr. Yao dated 15 October 2021 (as supplemental by the Supplemental Letter of Intent)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Yao”	Mr. Yao Chuanglong, the executive Director and the controlling Shareholder of the Company who holds 59,000,000 Domestic Shares (representing approximately 73.75% of the total issued Domestic Shares and 54.63% of the total issued share capital of the Company) as at the date of this announcement
“Parties”	the Potential Purchaser and Mr. Yao
“Possible Transaction”	the possible acquisition by the Potential Purchaser of the Sale Shares
“Potential Purchaser”	Zhejiang Int’l Group Co. Ltd (浙江英特集團股份有限公司), a company established in the PRC and listed on the Shenzhen Stock Exchange (stock code: 000411), which is owned as to 42.21% by Zhejiang International Business Group Co., Ltd. (浙江省國際貿易集團有限公司), a state-owned enterprise in Zhejiang Province
“PRC”	The People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	the First Batch of Shares and the Second Batch of Shares
“Second Batch of Shares”	has the meaning given to it under the section headed “Letter of Intent – Share transfer”
“Second Delivery”	has the meaning given to it under the section headed “Letter of Intent – Share transfer”
“Selling Restriction”	has the meaning given to it under the section headed “Letter of Intent – Share transfer”
“SFC”	the Securities and Futures Commission of Hong Kong

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	Domestic Share(s) and/or H Share(s)
“Shareholders”	holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Letter of Intent”	of the supplemental letter of intent entered into between the Potential Purchaser and Mr. Yao dated 21 October 2021
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs

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

Shantou, the PRC, 21 October 2021

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).

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statements in this announcement misleading.

** For identification purpose only*