

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this joint 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 joint announcement.*

*This joint announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of Charmacy Pharmaceutical Co., Ltd.*



**JIANGXI JIANGZHONG  
PHARMACEUTICAL  
COMMERCIAL OPERATION CO.,  
LTD.\***

江西江中醫藥商業運營有限責任公司  
*(A limited liability company established in the  
People's Republic of China)*



**CHARMACY PHARMACEUTICAL  
CO., LTD.**

創美藥業股份有限公司  
*(A joint stock limited liability company  
established in the People's Republic of China)*  
(Stock code: 2289)

## **JOINT ANNOUNCEMENT**

- (1) ACQUISITION OF THE SALE SHARES IN CHARMACY  
PHARMACEUTICAL CO., LTD.;**
- (2) THE BOARD LEVEL IRREVOCABLE UNDERTAKING IN  
RELATION TO THE EXERCISE OF VOTING RIGHTS; AND**
- (3) POSSIBLE UNCONDITIONAL MANDATORY CASH  
OFFER BY GUOTAI JUNAN SECURITIES (HONG KONG)  
LIMITED**



**Guotai Junan Securities (Hong Kong) Limited**

**FOR AND ON BEHALF OF THE OFFEROR TO ACQUIRE ALL  
THE ISSUED SHARES IN CHARMACY PHARMACEUTICAL  
CO., LTD. (OTHER THAN THOSE ALREADY OWNED OR  
AGREED TO BE ACQUIRED BY THE OFFEROR AND PARTIES  
ACTING IN CONCERT WITH IT);**

**AND**

- (4) RESUMPTION OF TRADING**

**Financial Adviser to the Offeror**



**Guotai Junan Capital Limited**

## **THE SHARE TRANSFER AGREEMENT**

The Board was informed by the Transferor that on 13 September 2022 (after trading hours), the Transferor (as transferor) and the Offeror (as transferee) entered into the Share Transfer Agreement.

### **The Acquisition**

Subject to the terms and conditions of the Share Transfer Agreement, the Transferor has conditionally agreed to sell and the Offeror has conditionally agreed to purchase the Sale Shares, representing 9.00% of the entire issued share capital of the Company as at the date of this joint announcement, free from all Encumbrances and together with all rights attaching to them, including all rights to any dividend or other distribution declared, made or paid, the record date of which is on or after the Completion Date.

The aggregate consideration for the Sale Shares under Share Transfer Agreement is HK\$70,858,800, being HK\$7.29 per Sale Share.

Pursuant to the terms and conditions of the Share Transfer Agreement, the Offeror shall pay RMB20,000,000 as Earnest Money to the Transferor within three (3) days from the date of the Share Transfer Agreement, which shall be returned in full to the Offeror interest-free within three (3) days from Completion.

### **Entrustment of Voting Rights**

Pursuant to the Share Transfer Agreement, the Transferor has conditionally agreed to irrevocably entrust to the Offeror the Entrusted Voting Rights of the Entrusted Shares, representing approximately 3.70% of the entire issued share capital of the Company as at the date of this joint announcement, except that the Transferor shall retain the right, as the holders or ultimate beneficial owners of the Entrusted Shares, to dividends on the Entrusted Shares and the right to dispose of the Entrusted Shares in accordance with applicable laws and regulations and the articles of association of the Company (provided that such disposal does not violate the terms of any agreement entered (or to be entered) into by the parties thereto, including but not limited to the Share Pledge Agreement which restricts the transfer of the 2,000,000 pledged Shares, 1,000,000 Shares of which form part of the 4,000,000 Entrusted Shares being the subject matter of the Entrusted Voting Rights arrangement). The remaining 3,000,000 Entrusted Shares have been previously pledged to the Offeror separately and are not freely transferable.

## **Completion**

Completion of the Share Transfer Agreement is conditional upon the conditions precedent as described in the section headed “The Share Transfer Agreement - Conditions Precedent to the Completion of the Share Transfer Agreement” of this joint announcement being fulfilled, and is expected to take place on the Completion Date (or such other date as may be agreed among the parties to the Share Transfer Agreement).

## **BOARD LEVEL IRREVOCABLE UNDERTAKING**

The Board was informed by the Transferor that on 13 September 2022 (after trading hours), the Transferor (being the executive Director), Ms. Zheng Yuyan and Ms. Zhang Hanzi (both being the executive Directors nominated by the Transferor) entered into the Board Level Irrevocable Undertaking in favour of the Offeror, pursuant to which the Transferor, Ms. Zheng Yuyan and Ms. Zhang Hanzi have irrevocably and unconditionally undertaken that, except for matters requiring the Directors nominated or recommended by the Transferor to abstain from voting, to the maximum extent permissible under the applicable laws and regulations and the Listing Rules (including the compliance with the fiduciary duties and duties of care, skill and diligence), they shall exercise their voting rights at the Board level strictly consistent with those of the Directors nominated or recommended by the Offeror in respect of the matters concerning the daily operations and the material decisions of the Company. Nevertheless, the foregoing shall not prejudice the rights and interests of the Company and its minority Shareholders and shall not prejudice the power of the management of the Company to supervise the Company’s daily operations. The Board Level Irrevocable Undertaking shall remain effective unless terminated with the consent of the Offeror.

## **POSSIBLE UNCONDITIONAL MANDATORY CASH OFFER**

As at the date of this joint announcement and immediately prior to Completion, the Offeror holds 29,050,000 Shares (representing approximately 26.90% of the entire issued share capital of the Company).

As at the date of this joint announcement, the Transferor owns 44,250,000 Shares (including 9,720,000 Shares representing the Sale Shares and 4,000,000 Shares representing the Entrusted Shares), representing approximately 40.97% of the entire issued share capital of the Company.

Upon Completion, the Offeror would have acquired or controlled approximately 39.60% of the voting rights of the Company (comprising the voting rights of existing Shares it currently held, the Sale Shares and the Entrusted Shares, which represent

approximately 26.90%, 9.00% and 3.70% of the entire issued share capital of the Company, respectively, as at the date of this joint announcement). The Offeror and the parties acting in concert with it (including the Transferor) will own an aggregate of 73,300,000 Shares, representing 67.87% of the entire issued share capital of the Company as at the date of this joint announcement.

As at the date of this joint announcement, there are 108,000,000 Shares in issue and the Company does not have any outstanding options, warrants, derivatives or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares.

Pursuant to Rule 26.1 of the Takeovers Code, upon Completion, the Offeror will be required to make an unconditional mandatory cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and the parties acting in concert with it).

Subject to Completion, Guotai Junan Securities will make the Offer, which will be unconditional, for and on behalf of the Offeror in compliance with the Takeovers Code on the following terms:

### **The Offer**

**For each Offer Share..... HK\$7.29 in cash**

The Offer Price of HK\$7.29 per Offer Share is equal to the consideration of HK\$7.29 per Sale Share under the Share Transfer Agreement.

Principal terms of the Offer are set out in the section headed “Possible Unconditional Mandatory Cash Offer” of this joint announcement.

### **Undertaking not to accept the Offer**

According to the information provided to the Offeror, the Non-Accepting Shareholders are beneficially interested in the Non-Accepting Shares of 12,490,000 Shares in aggregate, representing approximately 11.56% of the entire issued share capital of the Company as at the date of this joint announcement. Each Non-Accepting Shareholder has irrevocably undertaken to the Offeror not to accept the Offer in respect of its respective Non-Accepting Shares and, until the close of the offer period of the Offer, not to sell, transfer, charge, pledge or otherwise dispose of any of its respective Non-Accepting Shares or any interests in its respective Non-Accepting Shares.

## **GENERAL**

### **Independent Board Committee and the Independent Financial Adviser**

An Independent Board Committee comprising the non-executive Director, Mr. Li Weisheng and all the independent non-executive Directors, namely Mr. Wan Chi Wai Anthony, Mr. Zhou Tao and Mr. Guan Jian (also known as Guan Suzhe), has been established in accordance with Rules 2.1 and 2.8 of the Takeovers Code to advise and give a recommendation to the Independent Shareholders in respect of the Offer as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

Merdeka has been appointed as the Independent Financial Adviser of the Company to advise the Independent Board Committee in respect of the Offer and, in particular, as to whether the Offer is fair and reasonable and as to the acceptance of the Offer. Such appointment has been approved by the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code. The letter of advice of Merdeka will be included in the Composite Document.

### **Despatch of the Composite Document**

It is the intention of the Offeror and the Company to combine the offer document and the offeree board circular into the Composite Document. Pursuant to Rule 8.2 of the Takeovers Code, the Composite Document containing, among other things, (i) further details on the terms of the Offer; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Offer; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee in respect of the Offer, and (iv) the relevant forms of acceptance and transfer of the Offer Shares, is required to be despatched to the Shareholders within 21 days from the date of this joint announcement or such later date as the Executive may approve. Further announcement(s) will be made when the Composite Document is despatched.

### **Resumption of Trading in the Shares**

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 14 September 2022 pending the release of this joint announcement. Application has been made by the Company for resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 29 September 2022.

## **WARNING**

**Shareholders and potential investors of the Company should note that the Offer is a possible unconditional mandatory cash offer and will only be made if Completion takes place. As Completion is subject to the satisfaction of the conditions precedent set out in the Share Transfer Agreement, it may or may not take place and the Offer may or may not proceed. The Independent Board Committee has yet to consider and evaluate the Offer. This joint announcement is made in compliance with the Takeovers Code for the purpose of, among other things, informing Shareholders of the fact that the Company has been informed that the Offer will be made if Completion materialises. The Directors make no recommendation as to the fairness or reasonableness of the Offer or as to the acceptance of the Offer in this joint announcement. Shareholders are reminded to read the Composite Document, including the recommendations of the Independent Board Committee and the advice of the Independent Financial Adviser in respect of the Offer and as to acceptance that will be included in the Composite Document before deciding whether or not to accept the Offer.**

**Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company. If Shareholders and potential investors are in any doubt about their position, they should consult their professional advisers.**

## **THE SHARE TRANSFER AGREEMENT**

The Board was informed by the Transferor that on 13 September 2022 (after trading hours), the Transferor (as transferor) and the Offeror (as transferee) entered into the Share Transfer Agreement, details of which are set out below:

### **Date:**

13 September 2022 (after trading hours)

### **Parties:**

- (i) Transferor: Mr. Yao Chuanglong
- (ii) Transferee: the Offeror

Pursuant to the Share Transfer Agreement, the Offeror may nominate any of its wholly-owned subsidiaries to purchase the Sale Shares and pay the consideration payable to the Transferor.

## **Sale Shares and the Consideration**

Subject to the terms and conditions of the Share Transfer Agreement, the Transferor has conditionally agreed to sell and the Offeror has conditionally agreed to purchase the Sale Shares, representing 9.00% of the entire issued share capital of the Company as at the date of this joint announcement, free from all Encumbrances and together with all rights attaching to them, including all rights to any dividend or other distribution declared, made or paid, the record date of which is on or after the Completion Date.

Subject to the adjustment as set out in the paragraph headed “Adjustment of Consideration” below, the total consideration for the Sale Shares under Share Transfer Agreement is HK\$70,858,800, being HK\$7.29 per Sale Share. The aggregate consideration was determined after arm’s length negotiation between the Offeror and the Transferor, with reference to, among other things, the prevailing market price, the audited consolidated net asset value per Share, the future prospect of the pharmaceutical distribution markets and the benefits that can be brought to the Group by introducing the Offeror as a strategic investor. The consideration shall be payable by the Offeror to the Transferor in cash in Hong Kong dollars on the Completion Date.

## **Earnest Money**

Pursuant to the terms and conditions of the Share Transfer Agreement, the Offeror shall pay RMB20,000,000 as Earnest Money to the Transferor within three (3) days from the date of the Share Transfer Agreement, which shall be returned in full to the Offeror interest-free within three (3) days from Completion.

## **Share Pledge Agreement**

On 13 September 2022, the Transferor and the Offeror entered into the Share Pledge Agreement in favour of the Offeror in accordance with the Share Transfer Agreement. Please see paragraph headed “Adjustment of Consideration” below for details.

## **Entrustment of Voting Rights**

Pursuant to the Share Transfer Agreement, the Transferor has conditionally agreed to irrevocably entrust to the Offeror the Entrusted Voting Rights of the Entrusted Shares, representing approximately 3.70% of the entire issued share capital of the Company as at the date of this joint announcement, except that the Transferor shall retain the right, as the holders or ultimate beneficial owners of the Entrusted Shares, to dividends on the Entrusted Shares and the right to dispose of the Entrusted Shares in accordance with applicable laws and regulations and the articles of the Company (provided that such disposal does not violate the terms of any agreement entered (or to be entered) into by the parties thereto, including but not limited to the Share Pledge

Agreement which restricts the transfer of the 2,000,000 pledged Shares, 1,000,000 Shares of which form part of the 4,000,000 Entrusted Shares being the subject matter of the Entrusted Voting Rights arrangement). The remaining 3,000,000 Entrusted Shares have been previously pledged to the Offeror separately and are not freely transferable.

### **Conditions Precedent to the Completion of the Share Transfer Agreement**

The Completion is conditional upon the satisfaction of the following conditions on or prior to the Long Stop Date:

- (a) having obtained the approval of the state-owned assets supervisory authority, namely, the Jiangxi SASAC in respect of the Acquisition;
- (b) having obtained the clearance from the SAMR in respect of the review of concentration of business operators;
- (c) having completed the filing with the Jiangxi Development and Reform Commission;
- (d) having completed the filing with the Department of Commerce of Jiangxi Province;
- (e) having completed the foreign exchange registration of outbound direct investment;
- (f) the Executive having confirmed in writing that it has no further comments on this joint announcement and this joint announcement having been posted on the website of the Stock Exchange; and
- (g) prior to the satisfaction of conditions (a) to (f) above, neither the parties to the Share Transfer Agreement nor the Company having received any representations from the SFC or the Stock Exchange that the performance of the Share Transfer Agreement and the completion of the transactions contemplated under the Share Transfer Agreement will result in the withdrawal of the listing status of the Company or the listing of the Shares on the Stock Exchange (including but not limited to claiming that the Company is no longer suitable for listing), whether or not any other conditions are attached to the withdrawal or objection to the listing status as aforesaid.

In respect of condition (e) above, the foreign exchange registration is required to be made to the qualified banks supervised by the SAFE Jiangxi Branch.

If any of the above conditions precedent is not satisfied on or before the Long Stop Date (or on a later date as agreed by the parties thereto in writing), (i) either party to the Share Transfer Agreement shall have the right to terminate the Share Transfer Agreement; (ii) none of the parties shall be liable for any breach under the Share Transfer Agreement; and (iii) the Transferor shall repay any amount paid by the Offeror (if any) without any interest to the Offeror within three (3) days from the date of termination. As at the date of this joint announcement, none of the conditions precedent are fulfilled.

### **Completion**

Completion is conditional upon the fulfillment of the conditions precedent above. Completion will take place on the Completion Date. An announcement will be made upon Completion in accordance with the Listing Rules and the Takeovers Code.

### **Adjustment of Consideration**

Pursuant to the Share Transfer Agreement, the consideration may be adjusted downwards post-Completion in the event that if, after the publication of the audited consolidated financial statement of the Company for the financial year ending 31 December 2024, the actual average earnings per Share after deducting non-recurring profit or loss of the Company for the three financial years ending 31 December 2024 (the “**Actual Average EPS**”) is not higher than RMB0.478 (the “**Agreed Average EPS**”). In the event of an adjustment to the consideration, the Transferor shall pay cash compensation (the “**Cash Compensation**”) to the Offeror.

The amount of Cash Compensation to be paid by the Transferor to the Offeror shall be determined according to the following formula:-

- (i) Earnings per Share (“**EPS**”) =  $P_0/S$
- (ii) Weighted average number of Shares in the corresponding financial year:  
 $S = (S_0 + S_1 + S_i * M_i / M_0 - S_j * M_j / M_0 - S_k)$
- (iii) Actual Average EPS:  
 $A = (\text{the sum of the EPSs for each of the three financial years ending 31 December 2024}) / 3$
- (iv) Adjusted price per Share:  
 $E = (A/B) * C$
- (v) Cash Compensation =  $(C - E) * D$

Where

- (1) Earnings per Share is calculated in accordance with the provisions of “Rules Governing the Preparation and Disclosure of Information on Companies Issuing Public Securities No. 9 - Calculation and Disclosure of Return on Net Assets and Earnings per Share”.
- (2) “P0” is the net profit attributable to the Shareholders of the Company after deduction of non-recurring gains and losses.
- (3) “S” is the weighted average number of Shares in issue.
- (4) “S0” is the total number of Shares at the beginning of the relevant financial year.
- (5) “S1” is the number of Shares increased during the relevant financial year as a result of the Shares issued from surplus reserve or the distribution of dividends.
- (6) “Si” is the number of Shares increased by the issue of new Shares or conversion of debt to Shares during the relevant financial year.
- (7) “Sj” represents the decrease in the number of Shares due to repurchases made during the relevant financial year.
- (8) “Sk” is the number of Shares reduced during the relevant financial year.
- (9) “M0” is the number of months in the relevant financial year, i.e. 12.
- (10) “Mi” is the cumulative number of months from the month following the increase of Shares to the end of the relevant financial year.
- (11) “Mj” is the cumulative number of months from the month following the month in which the Shares were reduced to the end of the relevant financial year
- (12) “A” is the Actual Average EPS.
- (13) “B” is the Agreed Average EPS.
- (14) “C” is the initial price per Share stipulated in the Share Transfer Agreement.
- (15) “D” is the number of Sale Shares.
- (16) “E” is the adjusted price per Share.

In order to safeguard its investment, the Offeror requested, and the Transferor agreed to insert above consideration adjustment as part of the terms of the Share Transfer Agreement. On 13 September 2022, the Transferor and the Offeror entered into the Share Pledge Agreement pursuant to which the Transferor agreed to pledge 2,000,000 Shares (representing approximately 1.85% of the entire issued share capital of the Company) to the Offeror, for securing his obligations under the post-completion adjustment of the consideration pursuant to the Share Transfer Agreement. Among the 2,000,000 pledged Shares, (i) the voting rights of the 1,000,000 pledged Shares were entrusted to the Offeror, forming part of the Entrusted Shares pursuant to the entrustment of Entrusted Voting Rights under the Share Transfer Agreement; and (ii) the voting rights of the remaining 1,000,000 pledged Shares are still controlled by the Transferor.

In any event of any adjustment, the consideration shall not be adjusted upward. For the avoidance of doubt, any adjustment to the consideration shall not affect the Offer

Price.

## **BOARD LEVEL IRREVOCABLE UNDERTAKING**

The Board was informed by the Transferor that on 13 September 2022 (after trading hours), the Transferor (being the executive Director), Ms. Zheng Yuyan and Ms. Zhang Hanzi (both being the executive Directors nominated by the Transferor) entered into the Board Level Irrevocable Undertaking in favour of the Offeror, pursuant to which the Transferor, Ms. Zheng Yuyan and Ms. Zhang Hanzi have irrevocably and unconditionally undertaken that, except for matters requiring the Directors nominated or recommended by the Transferor to abstain from voting, to the maximum extent permissible under the applicable laws and regulations and the Listing Rules (including the compliance with the fiduciary duties and duties of care, skill and diligence), they shall exercise their voting rights at the Board level strictly consistent with those of the Directors nominated or recommended by the Offeror in respect of the matters concerning the daily operations and the material decisions of the Company. Nevertheless, the foregoing shall not prejudice the rights and interests of the Company and its minority Shareholders and shall not prejudice the power of the management of the Company to supervise the Company's daily operations. The Board Level Irrevocable Undertaking shall remain effective unless terminated with the consent of the Offeror.

## **PURPOSE OF ENTERING INTO THE SHARE TRANSFER AGREEMENT AND THE BOARD LEVEL IRREVOCABLE UNDERTAKING**

The Board has been informed by the Offeror and the Transferor that the Share Transfer Agreement and the Board Level Irrevocable Undertaking were entered into for the following purposes:-

- (i) given the objective, size and scope of the Offeror's business operations in the PRC, it would be beneficial to the long-term growth of the Company to (a) enhance and deepen the role and influence of the Offeror as the single largest controlling Shareholder with a view of exploring opportunities to expand its operation and achieve the medium- to long-term growth; and (b) unlock synergies such as expertise, go-to-market strategies and products offering generated from the collaboration of the Offeror and the Company; and
- (ii) the Acquisition and the entrustment of Entrusted Voting Rights in accordance with the Share Transfer Agreement and the Board Level Irrevocable Undertaking could allow the Offeror to exercise control over the finance and the operational policy of the Company. In consideration of the applicable accounting principles, after Completion, the financial results of the Company are expected to be consolidated into the financial results of the Offeror.

## **POSSIBLE UNCONDITIONAL MANDATORY CASH OFFER**

### **The Offer**

As at the date of this joint announcement and immediately prior to Completion, the Offeror holds 29,050,000 Shares (representing approximately 26.90% of the entire issued share capital of the Company). As at the date of this joint announcement, the Transferor owns 44,250,000 Shares (including 9,720,000 Shares representing the Sale Shares and 4,000,000 Shares representing the Entrusted Shares), representing approximately 40.97% of the entire issued share capital of the Company.

Upon Completion, the Offeror will have acquired or controlled approximately 39.60% of the voting rights of the Company (comprising the voting rights of existing Shares it currently held, the Sale Shares and the Entrusted Shares, which represent approximately 26.90%, 9.00% and 3.70% of the entire issued share capital of the Company respectively as at the date of this joint announcement). The Offeror and the parties acting in concert with it (including the Transferor) will own an aggregate of 73,300,000 Shares, representing 67.87% of the entire issued share capital of the Company as at the date of this joint announcement.

As at the date of this joint announcement, there are 108,000,000 Shares in issue and the Company does not have any outstanding options, warrants, derivatives or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares.

Pursuant to Rule 26.1 of the Takeovers Code, upon Completion, the Offeror will be required to make an unconditional mandatory cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and the parties acting in concert with it).

### **Principal terms of the Offer**

Subject to Completion, Guotai Junan Securities will make the Offer, which will be unconditional, for and on behalf of the Offeror in compliance with the Takeovers Code on the following terms:

### **The Offer**

**For each Offer Share.....HK\$7.29 in cash**

The Offer Price of HK\$7.29 per Offer Share is equal to the consideration of HK\$7.29 per Sale Share under the Share Transfer Agreement.

The Offer Price will not be affected by the post-Completion adjustment of consideration, if any, as stipulated in the section headed “The Share Transfer Agreement — Adjustment of Consideration” of this joint announcement.

The Offer, if made, will be extended to all Independent Shareholders in accordance with the Takeovers Code. The Offer will extend to all Shares in issue on the date on which the Offer is made, being the date of despatch of the Composite Document, other than those Shares already held by or agreed to be acquired by the Offeror and its parties acting in concert.

### **Comparisons of value**

The Offer Price of HK\$7.29 per Share represents:

- (i) a discount of approximately 1.49% to the closing price of HK\$7.40 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 1.75% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day of HK\$7.42 per Share;
- (iii) a discount of approximately 2.67% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$7.49 per Share;
- (iv) a discount of approximately 1.75% on the average closing price of approximately HK\$7.42 per Share as quoted on the Stock Exchange for the 90 consecutive trading days prior to and including the Last Trading Day;
- (v) a premium of approximately 8.81% over the average closing price of approximately HK\$6.70 per Share as quoted on the Stock Exchange for the 180 consecutive trading days immediately prior to and including the Last Trading Day;
- (vi) a premium of approximately 37.03% over the audited consolidated net asset value of the Group of approximately HK\$5.32 per Share as at 31 December 2021 based on 108,000,000 Shares in issue as at the date of this joint announcement; and
- (vii) a premium of approximately 31.83% over the unaudited consolidated net asset value of the Group of approximately HK\$5.53 per Share as at 30 June 2022 based on 108,000,000 Shares in issue as at the date of this joint announcement.

## Highest and lowest share prices

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the six-month period immediately preceding the Last Trading Day from 14 March 2022 to the Last Trading Day were HK\$8.20 per Share on 30 June 2022 and HK\$6.00 per Share on 14 and 15 March 2022, respectively.

## Undertakings not to accept the Offer

According to information provided to the Offeror, the persons/entities listed in the table below (the “**Non-Accepting Shareholders**”) are beneficially interested in 12,490,000 Shares in aggregate (the “**Non-Accepting Shares**”), representing approximately 11.56% of the entire issued share capital of the Company as at the date of this joint announcement. Each Non-Accepting Shareholder has irrevocably undertaken to the Offeror not to accept the Offer in respect of its respective Non-Accepting Shares and, until the close of the offer period of the Offer, not to sell, transfer, charge, pledge or otherwise dispose of any of its respective Non-Accepting Shares or any interests in its respective Non-Accepting Shares.

No.	Beneficial owner(s) or general partner of the Non-Accepting Shareholder (based on information known to the Offeror)	Name of Non-Accepting Shareholders	Number of Non-Accepting Shares	Approximate shareholding percentage (%)
1	Not applicable	Wang Yonghui* (王永輝)	3,488,000	3.23
2	Kingworld Medicines Group Limited <sup>(1)</sup>	Kingworld Medicines Health Management Limited* (金活醫藥健康管理有限公司) (“ <b>Kingworld Health</b> ”)	2,302,000	2.13
3	Zeng Ni* (曾霓) <sup>(2)</sup>	Shantou Meizhi Investment Management Limited Partnership* (汕頭市美智投資管理合夥企業 (有	3,200,000	2.96

		限合夥)) (“ <b>Meizhi Investment</b> ”)		
4	Liu Yilin* (劉藝麟) <sup>(3)</sup>	Shantou Zhichuang Investment Management Limited Partnership* (汕頭市智創投資管理合夥企業 (有限合夥)) (“ <b>Zhichuang Investment</b> ”)	1,800,000	1.67
5	Wang Xiangling* (王湘玲) <sup>(4)</sup>	Shantou Youran Investment Management Limited Partnership* (汕頭市悠然投資管理合夥企業 (有限合夥)) (“ <b>Youran Investment</b> ”)	1,700,000	1.57
	<b>Total:</b>		<b>12,490,000</b>	<b>11.56</b>

*Notes:*

- (1) Kingworld Health is a wholly-owned subsidiary of Kingworld Medicines Group Limited (stock code: 1110).
- (2) Zeng Ni is the general partner of Meizhi Investment, which is a shareholding platform and mainly consisted of employees of the Company.
- (3) Liu Yilin is the general partner of Zhichuang Investment, which is a shareholding platform and mainly consisted of employees of the Company.
- (4) Wang Xiangling is the general partner of Youran Investment, which is a shareholding platform and mainly consisted of employees of the Company.

In the event that (i) the Offer, under the circumstances permitted under the Takeovers Code, lapses or is withdrawn or the offer period in respect of the Offer ends; or (ii) the Offer Price made by the Offeror is higher than the consideration per Sale Share, the unconditional irrevocable undertakings provided by the Non-Accepting Shareholders to the Offeror in respect of the above and in respect of the following matters shall cease to bind them:

- (i) not to sell, transfer, charge, pledge, grant any option over, or otherwise dispose of or create any encumbrances in respect of any of its respective Non-Accepting Shares or any interests in its respective Non-Accepting Shares during the offer period in respect of the Offer;
- (ii) not to enter into any agreement in respect of voting or other rights attaching to any of its respective Non-Accepting Shares (including entering into any swap agreement or other arrangement for the transfer to another party of all or part of the economic consequences of, or rights incidental to, ownership of its respective Non-Accepting Shares or interests in its respective Non-Accepting Shares);
- (iii) not to accept or give any undertaking (whether conditional or not) to accept or agree to any offer, scheme of arrangement, acquisition, merger made or proposed to be made by any person in respect of any of its respective Non-Accepting Shares or to do any act which would or might prejudice the success of the Offer;
- (iv) to participate in or reach any discussions, negotiations, agreements or arrangements or take up any obligations (or permit the aforementioned circumstances to occur) in relation to its respective Non-Accepting Shares or the actions referred to in (i), (ii) or (iii) above; or enable any person (other than the Offeror and any other person authorised by it) to obtain any information in relation to the foregoing.

### **Value of the Offer**

There are 108,000,000 Shares in issue as at the date of this joint announcement. On the basis of the Offer Price of HK\$7.29 per Share and 108,000,000 Shares in issue as at the date of this joint announcement, the entire issued share capital of the Company would be valued at HK\$787,320,000. The number of Sale Shares under the Share Transfer Agreement is 9,720,000 and the aggregate amount payable by the Offeror for the Sale Shares upon Completion is HK\$70,858,800.

As the Offeror's Concert Group will hold in aggregate 73,300,000 Shares immediately after Completion and the Non-Accepting Shareholders hold in aggregate 12,490,000 Non-Accepting Shares, 22,210,000 Shares will be subject to the Offer. As at the date of this joint announcement, save for the unconditional irrevocable undertakings provided by the Non-Accepting Shareholders not to accept the Offer, none of the Offeror nor any person acting in concert with it has received any irrevocable commitment to accept or not to accept or reject the Offer. Based on the Offer Price of HK\$7.29 per Share, the maximum consideration of the Offer would be HK\$161,910,900. The Company has not declared and has no intention of declaring any dividend or making any distribution before the close of the Offer.

### **Confirmation of financial resources available**

The Offeror intends to finance the consideration payable under the Share Transfer Agreement upon Completion amounting to HK\$70,858,800 and the maximum consideration payable upon full acceptance of the Offer (other than the Non-Accepting Shares and the Shares already owned or agreed to be acquired by the Offeror and the parties acting in concert with it) amounting to HK\$161,910,900, assuming there is no change in the issued share capital of the Company from the date of this joint announcement up to the close of the Offer and based on the offer price of HK\$7.29 per Share, by way of the Facility granted under the Facility Agreement and internal resources.

Guotai Junan Capital, being the financial adviser to the Offeror in respect of the Acquisition and the Offer, is satisfied that sufficient financial resources are available to the Offeror to satisfy the consideration payable under the Share Transfer Agreement on Completion and the consideration payable upon full acceptance of the Offer (other than in respect of the Non-Accepting Shares).

### **Effect of accepting the Offer**

The Offer, if made, will be unconditional in all respects and will not be conditional upon acceptances being received in respect of a minimum number of Shares or any other conditions.

By accepting the Offer, Shareholders will sell their Shares free from all Encumbrances and together with all rights accruing or attaching to them, including, without limitation, the right to receive all dividends and distributions which may be recommended, declared, made or paid, if any, at any time on or after the date on which the Offer is made, being the date of posting of the Composite Document. Acceptance of the Offer by any Shareholder will be deemed to constitute a warranty by such person that all Shares sold by such person under the Offer are free from all Encumbrances and together with all rights accruing or attaching to them, including, without limitation, the right to receive all dividends and distributions which may be recommended, declared, made or paid, if any, at any time on or after the date on which the Offer is made. Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

The Company has not declared and has no intention of declaring any dividend or making any distribution before the close of the Offer.

### **Hong Kong stamp duty**

Seller's ad valorem stamp duty arising in connection with acceptance of the Offer amounting to 0.13% of the amount payable in respect of relevant acceptances by the

Shareholders, or (if higher) the market value of the Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong), will be deducted from the cash amount payable to the Shareholders who accept the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of accepting Shareholders and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Offer.

### **Payment**

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within seven (7) Business Days of the date on which the duly completed acceptances of the Offer and the relevant documents of title of the Shares in respect of such acceptances are received by the Offeror to render each such acceptance complete and valid.

No fractions of a cent will be payable and the amount of cash consideration payable to a Shareholder who accepts the Offer will be rounded up to the nearest cent.

### **Taxation advice**

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, its parties acting in concert, the Company, Guotai Junan Capital, Guotai Junan Securities and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

### **Dealings in the Company's securities**

Save for the Sale Shares under the Share Transfer Agreement, none of the members of Offeror's Concert Group has dealt in any Shares, options, derivatives, warrants or other relevant securities (as defined in Note 4 to Rule 22) convertible into Shares during the six-month period immediately prior to and including the date of this joint announcement.

### **Overseas holders of Shares**

To the extent practicable and permissible under applicable laws and regulations, the Offeror intends to make available the Offer to all Independent Shareholders, including those who are resident outside Hong Kong. The making of the Offer to persons not residing in Hong Kong may be affected by the laws and regulations of the relevant jurisdiction in which they are resident. Overseas holders of Shares who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice.

It is the sole responsibility of the overseas holders of Shares who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the

compliance with other necessary formalities and the payment of any transfer or other taxes due by such overseas holders of Shares in respect of such jurisdictions).

If the receipt of the Composite Document by overseas Shareholders is prohibited by any applicable laws and regulations or may only be effected upon compliance with conditions or requirements in such overseas jurisdictions that would be unduly burdensome, the Composite Document, subject to the Executive's consent, may not be despatched to such overseas Shareholders. In those circumstances, the Offeror will apply for any waivers as may be required by the Executive pursuant to Note 3 to Rule 8 of the Takeovers Code at such time.

### **Other arrangements or agreements**

The Offeror confirms that as at the date of this joint announcement:

- (i) save for the Share Transfer Agreement, the Board Level Irrevocable Undertaking, the Share Pledge Agreement, and the 29,050,000 Shares held by the Offeror and the 44,250,000 Shares held by the Transferor, the Offeror's Concert Group does not own, control or have direction over any voting rights or rights over the Shares, convertible securities, warrants, options of the Company or any derivatives in respect of such securities;
- (ii) save for the unconditional irrevocable undertakings provided by the Non-Accepting Shareholders not to accept the Offer, the Offeror's Concert Group has not received any irrevocable commitment to accept or reject the Offer;
- (iii) there is no outstanding derivatives in respect of the securities in the Company which has been entered into by the Offeror's Concert Group;
- (iv) save for the unconditional irrevocable undertakings provided by the Non-Accepting Shareholders not to accept the Offer, the Share Transfer Agreement, the Board Level Irrevocable Undertaking and the Share Pledge Agreement, there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Company and which might be material to the Offer;
- (v) save for the Share Transfer Agreement, there is no agreement or arrangement to which the Offeror is a party which relates to circumstances in which the Offeror may or may not invoke or seek to invoke a pre-condition or a condition to the Offer;
- (vi) there are no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror's Concert Group had borrowed or lent; and
- (vii) save for the consideration payable by the Offeror to the Transferor under the Share Transfer Agreement, none of the members of the Offeror's Concert Group, its nominees or representatives has paid or will pay any other consideration, compensation or benefit in whatever form to the Transferor, its

representatives, nominees or parties acting in concert with any of them in connection with the Share Transfer Agreement or otherwise in connection with the Sale Shares;

- (viii) there is no understanding, arrangement or agreement which constitutes a special deal (as defined under Rule 25 of the Takeovers Code) between (i) any Shareholder and (ii)(a) the Offeror's Concert Group, or (ii)(b) the Transferor and parties acting in concert with it (excluding the Offeror); and
- (ix) there is no agreement, arrangement or understanding (including any compensation arrangement) which constitutes a special deal (as defined under Rule 25 of the Takeovers Code) existing between (i) the Offeror's Concert Group (excluding the Transferor); and (ii) the Transferor and the parties acting in concert with it (excluding the Offeror); and
- (x) save for the Facility Agreement, there was no agreement, arrangement or understanding that any securities of the Company, acquired in pursuant of the Offer would be transferred, charged or pledged to any of the persons.

The Company confirms that as at the date of this joint announcement, there is no understanding, arrangement or agreement which constitutes a special deal (as defined under Rule 25 of the Takeovers Code) between any Shareholder and the Group or any of its associated companies.

**Shareholders are reminded to read the Composite Document, including the recommendations of the Independent Board Committee and the advice of the Independent Financial Adviser in respect of the Offer and as to acceptance that will be included in the Composite Document before deciding whether or not to accept the Offer.**

## **SHAREHOLDING STRUCTURE OF THE COMPANY**

As at the date of this joint announcement, the issued share capital of the Company was RMB108,000,000 divided into 108,000,000 ordinary shares. The Company does not have any outstanding options, warrants, derivatives or convertible rights affecting the Shares.

Set out below is the shareholding structure of the Company (i) immediately prior to Completion; (ii) immediately after Completion and before the Offer (taking into account the irrevocable undertakings not to accept the Offer as set out in the paragraph headed "Possible Unconditional Mandatory Cash Offer – Undertakings not to accept the Offer" provided as at the date of this joint announcement):

	Immediately prior to Completion		Immediately after the Completion and before the Offer	
	<i>No. of Shares</i>	<i>Approximate % of issued Shares</i>	<i>No. of Shares</i>	<i>Approximate % of issued Shares</i>
<b>The Offeror's Concert Group (including the Transferor)</b>				
The Offeror	29,050,000	26.90	38,770,000	35.90 <i>(Note)</i>
The Transferor	44,250,000	40.97	34,530,000	31.97
<b>The Offeror's Concert Group (including the Transferor)</b>	<b>73,300,000</b>	<b>67.87</b>	<b>73,300,000</b>	<b>67.87</b>
<b>Non-Accepting Shareholders</b>				
Wang Yonghui	3,488,000	3.23	3,488,000	3.23
Kingworld Health	2,302,000	2.13	2,302,000	2.13
Meizhi Investment	3,200,000	2.96	3,200,000	2.96
Zhichuang Investment	1,800,000	1.67	1,800,000	1.67
Youran Investment	1,700,000	1.57	1,700,000	1.57
<b>Sub-total of Non-Accepting Shareholders</b>	<b>12,490,000</b>	<b>11.56</b>	<b>12,490,000</b>	<b>11.56</b>
<b>Other Shareholders</b>	<b>22,210,000</b>	<b>20.57</b>	<b>22,210,000</b>	<b>20.57</b>
<b>Total</b>	<b>108,000,000</b>	<b>100.00</b>	<b>108,000,000</b>	<b>100.00</b>

*Note:*

Immediately upon Completion, (i) the Offeror will own 38,770,000 Shares, representing 35.90% of the entire issued share capital of the Company as at the date of this joint announcement; and (ii) the Offeror would have acquired or controlled approximately 39.60% of the voting rights of the Company (comprising the voting rights of existing Shares it currently held, the Sale Shares and the Entrusted Shares, which represent approximately 26.90%, 9.00% and 3.70% of the entire issued share capital of the Company respectively as at the date of this joint announcement).

## INFORMATION ON THE OFFEROR

The Offeror is a company established in the PRC with limited liability. It is principally engaged in the wholesale and retail of medicines and the sales of food, disinfection equipment and Class III medical devices. It is a Jiangxi provincial state-owned enterprise, owned as to (i) 20.50% by Jiangxi State-Owned Capital Operation Holdings Group Co. Ltd\* (江西省國有資本運營控股集團有限公司), which is

ultimately controlled by Jiangxi SASAC; (ii) 20.50% by China Resources Jiangzhong Pharmaceutical Group Co., Ltd.\* (華潤江中製藥集團有限責任公司), which is ultimately controlled by China Resources Pharmaceutical Group Limited, whose shares are listed on the main board of the Stock Exchange (Stock Code: 3320.hk); (iii) 16.80% by Zhangshu Xinghao Enterprise Consulting Service Center (Limited Partnership)\* (樟樹市興浩企業諮詢服務中心 (有限合夥)); (iv) 10.20% by Nanchang Zhonghe Medical Management Center (Limited Partnership)\* (南昌市衆合醫藥管理中心 (有限合夥)); (v) 9.80% by Nanchang Zhongcheng Pharmaceutical Management Center (Limited Partnership)\* (南昌市衆誠醫藥管理中心 (有限合夥)); (vi) 4.50% by Qingshen Chunhui Agricultural Development Co., Ltd.\* (青神春暉農業發展有限公司); (vii) 4.00% by Shanghai Yingyin Enterprise Management Partnership (Limited Partnership)\* (上海瀛胤企業管理合夥企業 (有限合夥)); (viii) 3.70% by Baoding Zeshun Transportation Co., Ltd.\* (保定澤順運輸有限公司); (ix) 3.60% by Zhangshu Xingzhi Enterprise Consulting Service Center (Limited Partnership)\* (樟樹市興志企業諮詢服務中心 (有限合夥)); (x) 3.00% by Dalian Kangrong Management Consulting Partnership (Limited Partnership)\* (大連康融管理諮詢合夥企業 (有限合夥)); (xi) 2.00% by Shandong Changzhi Medicine Co., Ltd.\* (山東長智醫藥有限責任公司); and (xii) 1.40% by Tangshan Yatai Enterprise Management Consulting Partnership (Limited Partnership)\* (唐山雅泰企業管理諮詢合夥企業 (有限合夥)). As at the date of this joint announcement, save and except Jiangxi State-Owned Capital Operation Holdings Group Co. Ltd and China Resources Jiangzhong Pharmaceutical Group Co., Ltd., none of the shareholders individually controlled more than 20% shareholding of the Offeror.

## **INFORMATION ON THE GROUP**

The Company is a joint-stock company established in the PRC with limited liability, whose Shares are listed on the main board of the Stock Exchange. The Group is principally engaged in the pharmaceutical distribution business. It mainly distributes western medicine, Chinese patent medicine and healthcare products to downstream distributors and retail terminals, as well as provides consultation service on pharmaceutical products.

Set out below is a summary of the audited consolidated financial results of the Group for the financial years ended 31 December 2020 and 2021 and the unaudited consolidated financial results of the Group for the six months ended 30 June 2021 and 2022, prepared in accordance with the PRC GAAP:

	For the year ended 31 December 2020 (audited) (RMB '000)	For the year ended 31 December 2021 (audited) (RMB '000)	For the six months ended 30 June 2021 (unaudited) (RMB '000)	For the six months ended 30 June 2022 (unaudited) (RMB '000)
Operating Revenue	3,991,711	3,793,618	1,993,014	1,887,079
Total profit before tax	54,742	32,981	34,530	25,848
Net profit attributable to the Shareholders for the year/period	40,556	23,153	25,961	20,639
Net assets	502,549	504,102	506,910	524,741

Further financial information of the Group will be set out in the Composite Document to be despatched to the Shareholders.

#### **FURTHER INTENTIONS OF THE OFFEROR REGARDING THE GROUP**

The Offeror intends to continue the business of the Group and maintain the employment of the operational and administrative employees of the Group (except for the proposed changes to the members of the Board as detailed in the sub-paragraph headed “Proposed change of Board and supervisory committee composition” below).

As at the date of this joint announcement, the Offeror has no intention or plans for any acquisition or disposal of assets and/or business of the Group. However, the Offeror will, following completion of the Offer, conduct a detailed review of the operations of the Group and formulate feasible business strategies with a view to developing a sustainable corporate strategy to broaden its income stream, which may include rebalancing the resources of the Group should appropriate opportunities arise.

#### **Proposed change of Board and supervisory committee composition**

The Board is currently made up of three executive Directors, three non-executive Directors and three independent non-executive Directors. Pursuant to the Share Transfer Agreement and subject to the Takeovers Code, within 60 days after Completion, the Transferor and the Offeror shall endeavour to cause (i) three and two persons as respectively nominated by the Offeror and the Transferor to be appointed as Directors; (ii) a Director as nominated by the Offeror to be appointed as the chairman of the Board; (iii) a supervisor of the Company as nominated by the Offeror to be appointed as the chairman of the supervisory committee of the Company; and

(iv) a person as nominated by the Offeror to be appointed as the financial responsible person.

The Offeror intends to nominate new Directors to the Board in compliance with the Takeovers Code, the Listing Rules or other applicable regulations. Further announcement(s) will be made upon any changes to the composition to the Board as and when appropriate pursuant to the Listing Rules and/or the Takeovers Code.

### **Public float and maintenance of the listing status of the Company**

The Offeror intends to maintain the listing status of the Company and will undertake to ensure that a sufficient public float exists for the Shares pursuant to Rule 8.08 of the Listing Rules.

Pursuant to the Listing Rules, if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market,

the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares. Therefore, it should be noted that upon close of the Offer, there may be insufficient public float of the Shares and the trading in the Shares may be suspended until sufficient public float exists for the Shares. The Directors and the proposed new director(s) by the Offeror will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares. The Offeror intends to maintain the listing of the Shares on the Main Board of the Stock Exchange and will take appropriate steps (including but not limited to placement of Shares) as soon as possible following the close of the Offer to ensure that a sufficient public float exists for the Shares.

## **GENERAL**

### **Independent Board Committee and Independent Financial Adviser**

An Independent Board Committee, comprising the non-executive Director, Mr. Li Weisheng and all the independent non-executive Directors, namely Mr. Wan Chi Wai Anthony, Mr. Zhou Tao and Mr. Guan Jian (also known as Guan Suzhe), has been established in accordance with Rules 2.1 and 2.8 of the Takeovers Code to advise and give a recommendation to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer. The other non-executive Directors, (i) Mr. Yan Jingbin, being the director of the Offeror and (ii) Ms. Fu Zheng, being the deputy general manager of the Offeror, are not eligible to be a member of the Independent Board Committee.

Merdeka has been appointed as the Independent Financial Adviser of the Company to advise the Independent Board Committee in respect of the Offer and, in particular, as to whether the Offer is fair and reasonable and as to the acceptance of the Offer. Such appointment has been approved by the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code. The letter of advice of Merdeka will be included in the Composite Document.

### **Despatch of the Composite Document**

It is the intention of the Offeror and the Company to combine the offer document with the offeree response document in the Composite Document. Pursuant to Rule 8.2 of the Takeovers Code, the Composite Document containing, among other things, (i) details of the Offer (including the expected timetable and terms of the Offer); (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Offer; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee in relation to the Offer; and (iv) the relevant forms of acceptance and transfer of the Offer Shares, is required to be despatched to the Shareholders within 21 days of the date of this joint announcement or such later date as the Executive may approve. Further announcement(s) will be made when the Composite Document is despatched.

As the making of the Offers are conditional on Completion, an application will be made by the Offeror to seek for the Executive's consent under Rule 8.2 of the Takeovers Code to extend the deadline for the despatch of such composite offer and response document to a date falling within seven days after Completion or such other date as the Executive may approve. Further announcement(s) will be made when and as appropriate.

### **Disclosure of dealings in the Shares**

In accordance with Rule 3.8 of the Takeovers Code, associates of the Offeror and the Company (including but not limited to persons who own or control 5% or more of any class of relevant securities issued by the Company or the Offeror) are hereby reminded to disclose their dealings in the securities of the Company pursuant to 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.”*

## **TRADING HALT AND RESUMPTION OF TRADING IN THE SHARES**

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 14 September 2022 pending the release of this joint announcement. Application has been made by the Company for resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 29 September 2022.

## **WARNING**

**Shareholders and potential investors of the Company should note that the Offer is a possible unconditional mandatory cash offer and will only be made if Completion takes place. As Completion is subject to the satisfaction of the conditions precedent set out in the Share Transfer Agreement, it may or may not take place and the Offer may or may not proceed. The Independent Board Committee has yet to consider and evaluate the Offer. This joint announcement is made in compliance with the Takeovers Code for the purpose of, among other things, informing Shareholders of the fact that the Company has been informed that the Offer will be made if Completion materialises. The Directors make no recommendation as to the fairness or reasonableness of the Offer or as to the acceptance of the Offer of this joint announcement. Shareholders are reminded to read the Composite Document, including the recommendations of the Independent Board Committee and the advice of the Independent Financial Adviser in respect of the Offer and as to acceptance that will be included in the Composite Document before deciding whether or not to accept the Offer.**

**Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company. If Shareholders and potential investors are in any doubt about their position, they should consult their professional advisers.**

## **DEFINITIONS**

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

<b>“acting in concert”</b>	has the meaning ascribed to it under the Takeovers Code
<b>“Acquisition”</b>	the sale and purchase of the Sale Shares between the Transferor and the Offeror in accordance with the terms and conditions of the Share Transfer Agreement
<b>“associate”</b>	has the meaning ascribed to it under the Takeovers Code
<b>“Board”</b>	the board of Directors
<b>“Board Level Irrevocable Undertaking”</b>	the board level irrevocable undertaking dated 13 September 2022 executed by the Transferor (being the executive Director), Ms. Zheng Yuyan and Ms. Zhang Hanzi (both being the executive Directors nominated by the Transferor) in favour of the Offeror, pursuant to which Transferor, Ms. Zheng Yuyan and Ms. Zhang Hanzi have irrevocably and unconditionally undertaken to exercise their voting rights at the Board level strictly consistent with those of the Directors nominated or recommended by the Offeror in respect of the matters concerning the daily operations and the material decisions of the Company, as further described in the paragraph headed “Board Level Irrevocable Undertaking” of this joint announcement
<b>“Business Day(s)”</b>	a day (other than a Saturday, Sunday or public holiday in the PRC and/or Hong Kong and any day on which a tropical cyclone warning no. 8 or above or a “black” rain warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks in the PRC and Hong Kong are generally open for business
<b>“Company”</b>	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 Shares are listed and traded on the main board of the Stock Exchange (stock code: 2289)
<b>“Completion”</b>	completion of the Acquisition and the entrustment of Entrusted Voting Rights in accordance with the terms and conditions of the Share Transfer Agreement
<b>“Completion Date”</b>	the fifth (5 <sup>th</sup> ) Business Day after the last outstanding condition (other than the conditions which can only be

fulfilled upon Completion) being fulfilled (or such other date agreed by the Offeror and the Transferor in writing) on which Completion is to take place or such other date as the parties may agree

<b>“Composite Document”</b>	the composite document to be issued jointly by the Offeror and the Company in relation to the Offer in accordance with the Takeovers Code
<b>“controlling shareholder(s)”</b>	has the meaning ascribed thereto under the Listing Rules
<b>“CSRC”</b>	China Securities Regulatory Commission (中國證券監督管理委員會)
<b>“Director(s)”</b>	the director(s) of the Company
<b>“Earnest Money”</b>	the earnest money of RMB20,000,000 to be paid by the Offeror to the Transferor pursuant to the Share Transfer Agreement
<b>“Encumbrances”</b>	any claim, charge, mortgage, security, lien, pledge, option, equity, power of sale or other third party rights, retention of title, right of pre-emption, right of first refusal or security interest of any kind
<b>“Entrusted Shares”</b>	the 4,000,000 Shares which are held by the Transferor and have been pledged by the Transferor to the Offeror, to be entrusted to the Offeror in accordance with the Share Transfer Agreement (representing approximately 3.70% of the entire issued share capital of the Company as at the date of this joint announcement)
<b>“Entrusted Voting Rights”</b>	the right to exercise all direct and indirect shareholder rights in relation to the Entrusted Shares including voting rights at general meetings of Shareholders, the right to propose resolutions in general meetings of Shareholders and meetings of the Board, the right to nominate Directors, Supervisors and senior management of the Company and the right to convene extraordinary general meetings or general meetings of the Company and meetings of Directors, except that the Transferor shall retain the right, as the holders or ultimate beneficial

owners of the Entrusted Shares, to dividends on the Entrusted Shares and the right to dispose of the Entrusted Shares in accordance with applicable laws and regulations and the articles of association of the Company (provided that such disposal does not violate the terms of any agreement entered (or to be entered) into by the parties), which has been entrusted by the Transferor to the Offeror pursuant to the Share Transfer Agreement

<b>“Executive”</b>	the executive director of the Corporate Finance Division of the SFC or any of his delegates
<b>“Facility”</b>	the loan facility granted by China Merchants Bank to the Offeror for financing the consideration payable under the Share Transfer Agreement and the Offer
<b>“Facility Agreement”</b>	the interest bearing loan facility agreement entered into between China Merchants Bank as lender and the Offeror as borrower dated 9 September 2022 in relation to the Facility of up to HK\$350,000,000 made available by China Merchants Bank to the Offeror to finance the consideration payable to the Transferor under the Share Transfer Agreement and the consideration payable under the Offer
<b>“Group”</b>	the Company and its subsidiaries from time to time
<b>“Guotai Junan Capital”</b>	Guotai Junan Capital Limited, a corporation licensed under the SFO to engage in type 6 regulated activity (as defined under the SFO), and the financial adviser to the Offeror in respect of the Offer
<b>“Guotai Junan Securities”</b>	Guotai Junan Securities (Hong Kong) Limited, a corporation licensed under the SFO to engage in type 1, type 2 and type 4 regulated activities (as defined under the SFO) and a fellow subsidiary of Guotai Junan Capital, being the agent making the Offer for and on behalf of the Offeror
<b>“H Share(s)”</b>	the overseas listed foreign share(s) in the share capital of the Company with a nominal value of RMB1.0 each, which is/are listed and traded on the Stock Exchange
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong

<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the People Republic of China
<b>“Independent Board Committee”</b>	the independent board committee of the Board, comprising the non-executive Director, Mr. Li Weisheng and all the independent non-executive Directors, namely Mr. Wan Chi Wai Anthony, Mr. Zhou Tao and Mr. Guan Jian (also known as Guan Suzhe), established to give a recommendation to the Independent Shareholders regarding the terms of the Offer.
<b>“Independent Financial Adviser” or “Merdeka”</b>	Merdeka Corporate Finance Limited, a corporation licensed under the SFO to engage in type 6 (advising on corporate finance) regulated activity (as defined under the SFO), being the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee in respect of the Offer
<b>“Independent Shareholders”</b>	Shareholders other than the Offeror’s Concert Group
<b>“Jiangxi SASAC”</b>	State-owned Assets Supervision and Administration Commission of Jiangxi Province* (江西省國有資產監督管理委員會)
<b>“Last Trading Day”</b>	13 September 2022, being the last trading day immediately prior to the trading halt of the Shares pending the release of this joint announcement
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
<b>“Long Stop Date”</b>	31 December 2022 (or such other date as the Offeror and the Transferor may agree in writing), being the date by which the conditions precedents to the Completion must be fulfilled
<b>“Non-Accepting Shareholders”</b>	has the meaning ascribed to it under the paragraph headed “Possible Unconditional Mandatory Cash Offer – Undertaking not to accept the Offer” in this joint announcement
<b>“Non-Accepting Shares”</b>	has the meaning ascribed to it under the paragraph headed

“Possible Unconditional Mandatory Cash Offer – Undertaking not to accept the Offer” in this joint announcement

“Offer”	subject to Completion, the possible unconditional mandatory cash offer to be made by Guotai Junan Securities, for and on behalf of the Offeror, to acquire all the issued Shares other than those already owned or agreed to be acquired by the Offeror’s Concert Group pursuant to Rule 26.1 of the Takeovers Code
“Offeror”	Jiangxi Jiangzhong Pharmaceutical Commercial Operation Co., Ltd.* (江西江中醫藥商業運營有限責任公司), a company established in the PRC, a substantial shareholder (as defined under the Listing Rules) of the Company and the transferee under the Share Transfer Agreement, or any of its wholly-owned subsidiary to be nominated by it
“Offeror’s Concert Group”	the Offeror, its associates and parties acting in concert with any of them (including the Transferor)
“Offer Price”	the price at which the Offer will be made, being HK\$7.29 per Offer Share
“Offer Share(s)”	all the issued Share(s) other than those already acquired by the Offeror and parties acting in concert with it when the Offer is made
“PRC”	the People’s Republic of China, which for the purpose of this joint announcement, excludes Hong Kong, the Macao Special Administrative Region and Taiwan
“PRC GAAP”	the Accounting Standards for Business Enterprises (企業會計準則) promulgated by the Ministry of Finance
“RMB”	Renminbi, the lawful currency of the PRC
“SAFE Jiangxi Branch”	The Jiangxi Branch of the State Administration of Foreign Exchange (國家外匯管理局江西省分局)
“SAMR”	The State Administration for Market Regulation (國家市場監督管理總局)

<b>“Sale Shares”</b>	an aggregate of 9,720,000 Shares conditionally agreed to be sold by the Transferor and conditionally agreed to be acquired by the Offeror pursuant to the terms and conditions of the Share Transfer Agreement, representing 9.00% of the entire issued share capital of the Company as at the date of this joint announcement
<b>“SFC”</b>	the Securities and Futures Commission of Hong Kong
<b>“SFO”</b>	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
<b>“Share(s)”</b>	Share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, comprising the H Shares only
<b>“Share Pledge Agreement”</b>	the share pledge agreement dated 13 September 2022 entered into between the Transferor and the Offeror pursuant to which the Transferor agreed to pledge 2,000,000 Shares (representing approximately 1.85% of the entire issued share capital of the Company) in favour of the Offeror, for securing the Transferor’s obligations under the post-completion adjustment of the consideration pursuant to the Share Transfer Agreement
<b>“Share Transfer Agreement”</b>	the conditional share transfer agreement dated 13 September 2022 and entered into between the Transferor and the Offeror in relation to the sale and purchase of the Sale Shares
<b>“Shareholder(s)”</b>	holder(s) of the Share(s)
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“Takeovers Code”</b>	the Hong Kong Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
<b>“Transferor”</b>	Mr. Yao Chuanglong ( 姚創龍 ), the controlling Shareholder of the Company, the chairman of the Board, an executive Director and chief executive officer of the Group; and a member of the Offeror’s Concert Group

“%”

per cent.

By Order of the board of directors of  
**Jiangxi Jiangzhong Pharmaceutical  
Commercial Operation Co., Ltd.\***  
**Yan Jingbin**  
*Director and Legal Representative*

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

Shantou, the PRC, 28 September 2022

*As at the date of this joint announcement, the directors of the Offeror are Mr. Liu Weiquan, Mr. Yan Jingbin, Mr. Wu Xiaohong, Mr. Huang Xingzhi, Mr. Chen Yong, Mr. Lin Xingyao, Ms. Luo Yi, Mr. Cheng Wang and Mr. Xu Zhengqing.*

*As at the date of this joint announcement, the executive Directors are Mr. Yao Chuanglong, Ms. Zheng Yuyan and Ms. Zhang Hanzi; the non-executive Directors are Mr. Li Weisheng, Mr. Yan Jingbin and Ms. Fu Zheng; 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 of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than the information relating to the Transferor, the Directors and the Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than that expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statements in this joint announcement misleading.*

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than that relating to the Offeror's Concert Group (for this purpose, excluding the Transferor)) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than that expressed by the directors of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statements in this joint announcement misleading.*

*In the case of inconsistency, the English version of this joint announcement shall prevail over the Chinese version.*

*\* For identification purpose only*