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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 People's Republic of China)

(Stock Code: 2289)

DISCLOSEABLE TRANSACTION LAND RESUMPTION

LAND RESUMPTION

On 11 October 2022, the Company entered into the Land Resumption Agreement with Foshan Chancheng District Land Reserve Center and Foshan Chancheng District Zumiao Sub-district Office, pursuant to which the Company agreed to surrender the Resumed Land and Construction to Foshan Chancheng District Land Reserve Center at a consideration by way of cash compensation of RMB160,000,000.

IMPLICATION UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in the Listing Rules) for the Land Resumption is more than 5% but less than 25%, the Land Resumption constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. The Land Resumption therefore is subject to notification and announcement requirements but exempt from Shareholders' approval under Chapter 14 of the Listing Rules.

IMPLICATION UNDER THE TAKEOVERS CODE

For the purpose of Rule 4 of the Takeovers Code, having obtained written consent from the Offeror on the proceeding of the Land Resumption Agreement, the Company has applied for, and the Executive has granted to the Company, a waiver from the general requirement to obtain approval of the Shareholders under rule 4 of the Takeovers Code.

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THE LAND RESUMPTION AGREEMENT

The principal terms of the Land Resumption Agreement are summarised as follows:

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| Date | 11 October 2022 |
| Parties | (1) The Company; (2) Foshan Chancheng District Land Reserve Center* (佛山市禪城區土地儲備中心); and (3) Foshan Chancheng District Zumiao Sub-district Office* (佛山市禪城區祖廟街道辦事處) |

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Foshan Chancheng District Land Reserve Center and Foshan Chancheng District Zumiao Sub-district Office is a government authority in Foshan, the PRC and their respective ultimate beneficial owner(s) are Independent Third Parties.

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| Information of the Resumed Land and Construction | The Resumed Land comprises one parcel of land with an aggregate site area of approximately 16,827.75 sq. m. situated at No. 65, Foshan Avenue, Chancheng District, Foshan, the PRC* (佛山市禪城區佛山大道北65號), which has been approved for commercial use. At the date of this announcement, a four-storey building with an aggregate gross floor area of approximately 26,376.25 sq. m. is erected on the Resumed Land. The fourth floor of the building is leased to Guangdong Charmacy for office use while the first to third floors of the building remain vacant. |
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| Compensation and payment terms | Pursuant to a land integration agreement entered into between the Company, Guangdong Charmacy and Foshan Chancheng District Zumiao Sub-district Office, the cash compensation for the Resumed Land of RMB160,000,000 which will be payable by Foshan Chancheng District Zumiao Sub-district Office to the Company under the Land Resumption Agreement shall be paid in following manner: |
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- (i) RMB80,000,000, being 50% of the cash compensation, shall be paid to an escrow account formed jointly by the Company and Foshan Chancheng District Zumiao Sub-district Office. The Company shall complete the cancellation of its mortgage registration over the Resumed Land within 60 working days after the payment was made to the escrow account. The fund

in the escrow account shall be released to the Company within five working days after the documents in relation to the cancellation of mortgage are delivered to Foshan Chancheng District Zumiao Sub-district Office;

- (ii) RMB64,000,000, being 40% of the cash compensation, shall be paid to the Company within 60 days after the completion of the transfer of title of the Resumed Land and Construction and the cancellation of the ownership certification of the Company; and
- (iii) RMB16,000,000, being 10% of the cash compensation, shall be paid to the Company within 60 days after (i) transfer of the Resumed Land and Construction and relevant auxiliary documents from the Company to Foshan Chancheng District Land Reserve Center; (ii) signing of a transfer confirmation letter; and (iii) completion of the assignment of the rights and obligations of the Company as the lessor of Guangdong Charmacy to Foshan Chancheng District Zumiao Sub-district Office.

The compensation for the Land Resumption was determined after arm's length negotiations between the Company and Foshan Chancheng District Zumiao Sub-district Office with the reference to the laws, regulations, and procedures applicable to resumption of state-owned land in Chancheng District, Foshan, the PRC and a valuation of the Resumed Land and Construction assessed by an independent professional valuer of the value of the Resumed Land and Construction.

Liquidated damages

This agreement shall be effective upon the cancellation of the mortgage registration over the Resumed Land. In the event that the Land Resumption fails to complete due to reasons of the Company, the Company shall return all cash compensation received to Foshan Chancheng District Zumiao Sub-district Office and pay 20% of the cash compensation, i.e. RMB32.0 million, as liquidated damages.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Prior to the Land Resumption, a portion of the Resumed Land and Construction was leased to Guangdong Charmacy for office use. As Foshan Chancheng District Zumiao Sub-district Office would continue to lease the fourth floor of the building to Guangdong Charmacy under the same term (i.e. annual rent of approximately RMB1.03 million) for no more than two years after the transfer of the Resumed Land and Construction until

Guangdong Charmacy relocates its office and the remaining area of the Resumed Land and Construction is vacant, the Directors are of the view that the Land Resumption will not have material adverse effect on the Group's day-to-day operation. Taking into account the recent fluctuation of the property market in the PRC, the Directors are of the view the Land Resumption is an opportunity for the Group to liquidate its assets and improve the liquidity of the Group.

The Directors consider that the Land Resumption Agreement is on normal commercial terms and the terms and conditions of the Land Resumption Agreement are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

INFORMATION ABOUT THE PARTIES

The Company is a joint-stock company incorporated in the PRC with limited liability, whose H 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 third party logistics service and consultation service on pharmaceutical products.

Each of Foshan Chancheng District Land Reserve Center and Foshan Chancheng District Zumiao Sub-district Office is a government authority in Foshan, the PRC. Foshan Chancheng District Land Reserve Center is the local authority responsible for resumption of the Resumed Land, whilst Foshan Chancheng District Zumiao Sub-district Office is the local authority responsible for the management of the Resumed Land.

FINANCIAL EFFECT OF THE LAND RESUMPTION AND EXPECTED USE OF PROCEEDS

The Resumed Land and Construction were recorded at a net book value of approximately RMB96.24 million in the audited consolidated balance sheet of the Company as at 31 December 2021.

The Resumed Land and Construction will be de-recognised from the books of the Group when the Group completes the transfer of title of the Resumed Land and Construction and the cancellation of the ownership certification of the Company.

It is estimated that there would be a gain before tax of approximately RMB67.12 million under the Land Resumption Agreement (which is estimated based on the compensation amount thereunder, less the unaudited net book value of the Resumed Land and Construction as at 30 September 2022 of approximately RMB92.87 million, and other related expenses). The actual gain under the Land Resumption Agreement will depend on the net book value of the Resumed Land and Construction attributable to the Group as at the date of completion of the Land Resumption and the actual costs and expenses to be incurred in connection with the Land Resumption, which are yet to be determined as at the date of this announcement, and accordingly it may be different from the amount stated above.

It is expected that the net proceeds from the Land Resumption will be used for the repayment of bank borrowings of the Group and as general working capital of the Group.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios (as defined in the Listing Rules) for the Land Resumption is more than 5% but less than 25%, the Land Resumption constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. The Land Resumption therefore is subject to notification and announcement requirements but exempt from Shareholders' approval under Chapter 14 of the Listing Rules.

IMPLICATION UNDER THE TAKEOVERS CODE

Reference is made the joint announcement of the Company and the Offeror dated 28 September 2022 in respect of, amongst others, the Offer.

For the purpose of rule 4 of the Takeovers Code, having obtained written consent from the Offeror on the proceeding of the Land Resumption Agreement, the Company has applied for, and the Executive has granted to the Company, a waiver from the general requirement to obtain approval of the Shareholders under rule 4 of the Takeovers Code.

DEFINITIONS

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| “Board” | the board of Directors |
| “Company” | Charmacy Pharmaceutical Co., Ltd. (創美藥業股份有限公司), a joint stock company established in the PRC with limited liability, whose H Shares are listed and traded on the Stock Exchange (stock code: 2289) |
| “Director(s)” | the directors of the Company |
| “Executive” | the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director |
| “Foshan Chancheng District Land Reserve Center” | Foshan Chancheng District Land Reserve Center* (佛山市禪城區土地儲備中心), a PRC government authority under Chancheng Branch of Foshan Bureau of Natural Resources* (佛山市自然資源局禪城分局); |
| “Foshan Chancheng District Zumiao Sub-district Office” | Foshan Chancheng District Zumiao Sub-district Office* (佛山市禪城區祖廟街道辦事處), a PRC government authority under the government of Chancheng District, Foshan* (佛山市禪城區人民政府) |
| “Group” | the Company and its subsidiaries |
| “Guangdong Charmacy” | Guangdong Charmacy Pharmaceutical Co., Ltd. (廣東創美藥業有限公司), a company established in the PRC with limited |

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| | liability and a wholly-owned subsidiary of the Company |
| “H Share(s)” | overseas listed foreign share(s) in the share capital of the Company with nominal value of RMB1.00 each, which is/are listed and traded on the Stock Exchange |
| “Independent Third Parties” | third party(ies) independent of and not connected with the Company, its connected persons and their respective associates |
| “Land Resumption” | the resumption of the Resumed Land and Construction |
| “Land Resumption Agreement” | an agreement dated 11 October 2022 entered into between the Company, Foshan Chancheng District Land Reserve Center and Foshan Chancheng District Zumiao Sub-district Office in relation to the Land Resumption |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange as amended, modified or otherwise supplemental from time to time |
| “Offer” | the possible unconditional mandatory cash offer by Guotai Junan Securities (Hong Kong) Limited 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 and parties acting in concert with it), and details of which were set out in the joint announcement of the Company and the Offeror dated 28 September 2022 |
| “Offeror” | Jiangxi Jiangzhong Pharmaceutical Commercial Operation Co., Ltd.* (江西江中醫藥商業運營有限責任公司), being the offeror of the Offer |
| “PRC” | the People’s Republic of China |
| “Resumed Land” | the land situated at No. 65, Foshan Avenue, Chancheng District, Foshan, the PRC* (佛山市禪城區佛山大道北65號) with an aggregate site area of approximately 16,827.75 sq. m., which is intended to be resumed by Foshan Chancheng District Land Reserve Center pursuant to the Land Resumption Agreement |
| “Resumed Land and Construction” | the land use right to the Resumed Land and the construction erected on the Resumed Land, which are intended to be resumed pursuant to the Land Resumption Agreement |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Share(s)” | the H Share(s) |
| “Shareholders” | holder(s) of the Share(s) |
| “s.q. m.” | square meters |

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| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Takeovers Code” | The Codes on Takeovers and Mergers |
| “%” | per cent |

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

Shantou, the PRC, 11 October 2022

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

**for identification purposes only*