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China Regenerative Medicine International Limited

中國再生醫學國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8158)

PRODUCTS RETURN

This announcement is made by China Regenerative Medicine International Limited (the “**Company**” and, together with its subsidiaries, the “**Group**”) pursuant to Rule 17.10 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance.

Background

Shanghai Hesidi Cosmetics Company Limited (上海赫絲蒂化妝品有限公司) (“**Shanghai Hesidi**”) and Shenzhen Hesidi Bio-Technology Company Limited* (深圳赫絲蒂生物科技有限公司) (“**Shenzhen Hesidi**”, together with Shanghai Hesidi, the “**Hesidi Group**”) are subsidiaries of the Group and are primarily engaged in sales and distribution of cosmetics and healthcare related products. The Hesidi Group are distributors of certain cosmetic and healthcare related products (the “**Products**”) in the People’s Republic of China (the “**PRC**”).

As disclosed in the third quarterly results of the Group for the nine months ended 31 January 2017, the Group recorded total revenue of approximately HK\$273,900,000 (which included revenue from its sales of cosmetics, healthcare products and others of approximately HK\$88,041,000), total cost of sales of HK\$171,108,000 and total gross profit of approximately HK\$102,792,000.

Products Return

During the period between 30 May 2017 and 6 June 2017, the Hesidi Group received notices requesting the return of some of the Products (the “**Products Return**”) from the customers in the aggregate value of approximately HK\$52,580,000 claiming difficulties in selling the Products due to changes in market conditions in the PRC.

Following the receipt of the notices, the management of the Hesidi Group entered into discussions with the customers as to the reasons for the Products Return, and with the supplier of the Products (the “**Supplier**”) to explore the possibility of returning such Products. Following negotiations between the management of the Hesidi Group and the customers, and despite the absence of any provision in the relevant contracts that entitle the customers to return any Products to the Hesidi Group, on 22 June 2017, the management of the Hesidi Group decided to accept the Products Return from the customers for the purpose of maintaining a long-term business relationship. The management of the Hesidi Group agreed with the Supplier to arrange for the return of such Products.

Financial Implication

The Products Return would need to be reflected in the financial statements for the year ended 30 April 2017. By way of illustration, based on the preliminary assessment by the management of the Company of the information currently available, and such information had not been audited, relevant information previously disclosed in the Company’s third quarterly results would be adjusted as follow:

	As disclosed in the Company’s third quarterly results <i>HK\$’000</i>	Products Return <i>HK\$’000</i>	After taking into account of the Products Return <i>HK\$’000</i>	Change in approximate percentage (%)
Total Revenue	273,900	52,580	221,320	-19.20
Sales of cosmetics, healthcare products and others	88,041	52,580	35,461	-59.72
Total Cost of Sales	(171,108)	(30,556)	(140,552)	-17.86
Total Gross Profit	102,792	22,024	80,768	-21.43

The Company is in the process of finalising the audited consolidated results for the year ended 30 April 2017. The information contained in this announcement is only based on the preliminary assessment by the management of the Company of the information currently available to the Group and is not based on any figures or information which have been finalised or audited. Shareholders and potential investors are advised to refer to the details of the Group’s financial results and annual report for the year ended 30 April 2017, which is expected to be announced before 31 July 2017.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
China Regenerative Medicine International Limited
Wong Sai Hung
Executive Director

Hong Kong, 23 June 2017

As at the date of this announcement, the executive Directors are Mr. Wong Sai Hung, Mr. Shao Zhengkang and Mr. Chen Chunguo; the non-executive Directors are Professor Cui Zhanfeng, Dr. Ray Yip, Professor Xiong Chengyu and Mr. Wang Hui; and the independent non-executive Directors are Mr. Lui Tin Nang, Mr. Pang Chung Fai Benny and Mr. Chan Bing Woon, SBS, JP and Mr. Wong Yiu Kit Ernest.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcement” page of the GEM website at www.hkgem.com for at least seven days from the date of the publication and will be published on the website of the Company at www.crimi.hk.

** for identification purposes only*