CRMI
中國再生醫學

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)

FRAMEWORK AGREEMENT

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The Board is pleased to announce that on 10 December 2017, the Company and the Vendor entered into the Framework Agreement in relation to the Proposed Acquisition. The amount of the consideration for the Sale Shares shall be in the region between HK$3.6 billion to HK$3.8 billion, subject to further bona fide negotiation.

IMPLICATIONS UNDER THE GEM LISTING RULES

The Proposed Acquisition, if materialises, may constitute a very substantial acquisition of the Company under the GEM Listing Rules. The Company is consulting the Stock Exchange as to whether the Proposed Acquisition, if materialises, may constitute as a reverse takeover transaction under the GEM Listing Rules. Further announcement(s) will be made by the Company regarding the Proposed Acquisition as and when appropriate.

WARNING

The Board wishes to emphasise that the Proposed Acquisition is subject to, among others, the signing of the Formal SPA, and the terms and conditions of which are yet to be agreed between the Company and the Vendor. As such, the Proposed Acquisition may or may not proceed. Shareholders and investors of the Company are urged to exercise caution when dealing in the securities of the Company.

This announcement is made by the Company pursuant to Rule 17.10 of the GEM Listing Rules and the Inside Information Provision under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong).

FRAMEWORK AGREEMENT

The Board is pleased to announced that on 10 December 2017, the Company and the Vendor entered into the Framework Agreement in relation to the Proposed Acquisition. The principal terms of the Framework Agreement are set out as follows:—

Date

10 December 2017

Parties

(i) the Company, as prospective purchaser; and

(ii) the Vendor, as prospective vendor.

To the best knowledge, information and belief of the Directors, and having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are independent of and not connected with the Company and its connected persons.

Assets to be acquired

The Company proposes to purchase (by itself or its designated nominee) the Sale Shares, which represent the entire issued share capital of the Target Company.

Consideration

The amount of the consideration for the Sale Shares shall be in the region between HK$3.6 billion to HK$3.8 billion, subject to further bona fide negotiation between the Company and the Vendor on arm's length basis. As at the date hereof, the amount of consideration has not been fixed.

Pursuant to the Framework Agreement, the Company shall pay the Vendor the Earnest Payment in the amount of HK$100 million within 7 days from the signing of the Framework Agreement. The Earnest Payment is non-refundable. If the Proposed Acquisition materialises, the Earnest Payment shall be applied as part payment of the consideration for the Proposed Acquisition in accordance with the terms of the Formal SPA.

If the Purchaser procures or nominates a person or entity (the "**Nominated Purchaser**") to acquire the Sale Shares and the Vendor consents in writing to such acquisition by the Nominated Purchaser (such consent shall not be unreasonable withheld by the Vendor), the Earnest Payment paid by the Purchaser shall be deemed to be paid by the Nominated Purchaser and shall form part payment of the consideration payable by the Nominated Purchaser to the Vendor.

Conditions precedent

The Company and the Vendor shall enter into the Formal SPA within 14 days upon the Company's completion of the business, legal and financial due diligence on the Target Group and the result of which is to the satisfaction of the Company.

Exclusivity

In consideration of the Company paying the Earnest Payment, the Vendor agrees that it shall not, and shall procure its agents and advisers not to, at any time during the Exclusivity Period, directly or indirectly solicit, initiate, encourage, enter into or participate in any inquiry, discussion or proposal with any third party on any sale or transfer of any shares or material assets of the Target Group.

Non-legally binding effect

The Framework Agreement is non-legally binding, save and except the provisions in relation to, inter alia, the Earnest Payment, Exclusivity Period and Nominated Purchaser.

FINANCIAL ASSISTANCE FROM ALL FAVOUR

All Favour is a substantial shareholder of the Company and holds 21.09% of the shareholding interest of the Company as at the date of this announcement. As such, All Favour is a connected person of the Company.

Subject to the signing of the Framework Agreement, All Favour will advance a Shareholder's Loan in the amount of HK$100 million for the Company to pay the Earnest Payment pursuant to the Framework Agreement. The Shareholder's Loan will be unsecured and interest-free and will therefore constitute a fully exempted connected transaction under Rule 20.88 of the GEM Listing Rules.

If the Company (or its subsidiary) proceeds with the Proposed Acquisition, the Company shall repay the Shareholder's Loan on or before the third anniversary date of the advancement date of the Shareholder's Loan.

The Company has reached a preliminary understanding with All Favour that if the Board decides not to proceed with the Proposed Acquisition for whatever reason, the Company shall nominate All Favour as the Nominated Purchaser to acquire the Sale Shares in the Company's stead. In such event, the obligation to repay the Shareholder's Loan by the Company shall be deemed discharged when the Vendor enters into the sale and purchase agreement with All Favour in relation to the Target Company.

INFORMATION ON THE TARGET GROUP

The Target Company is a company incorporated in the British Virgin Islands on 26 April 2016 and is an investment holding company.

To the best knowledge and belief of the Board, subject to the due diligence to be conducted, the Target Group consists of, inter alia, the PRC Company and its subsidiaries, which are the major operating subsidiaries of the Target Group. The Target Group is principally engaged in the manufacture, distribution, trading and sale of proprietary Chinese medicines, chemical raw materials, biochemical products, chemical medicine preparation and health food and other related business.

In respect of manufacturing, the Target Group develops, manufactures and sells own-branded pharmaceutical products under the brands of "沙賽", "山迪", "瑞特", "拓欣", "國樂" and "仁濟堂". The production facilities of the Target Group are located in Anhui and Ningxia, the PRC. The production plants, which had obtained the Good Manufacturing Practice certification, were built on land properties owned by the Target Group for the manufacturing of around 55 types of pharmaceutical products.

A logistics centre was established by the Target Group, which is well-equipped with cold chain and temperature-controlled systems for storing different kinds of products. The management of the logistics centre has obtained Good Supply Practice certification and the logistics centre serves to support the distribution of products of the Target Group in its vast sales network.

The Target Group has effective and efficient medical sales network with strong sales capabilities. The Target Group distributes its own-branded and other brands of pharmaceutical products and health food across PRC with a focus in Anhui, Jiangsu, Shandong and Henan provinces. The sales network of the Target Group consists of pharmacies, hospitals and pharmaceutical trading companies. The sales network can penetrate into around 20,000 pharmacies, over 2,200 second and third tier hospitals in various cities and even stretch to include medical organizations in community level and rural areas. Out of the 2,400 hospitals, there are several specialist hospitals which include but not limited to 18 ophthalmic hospitals, 17 anorectal hospitals and 1 stomatological hospital. The Target Group also distributes the products online and organise exhibitions regularly to attract sales.

Based on the information provided by the Vendor, set out below is a summary of the consolidated financial information of the Target Group for the period from 26 April 2016 (being the incorporation date of the Target Company) to 31 December 2016 prepared according to the Hong Kong Financial Report Standards:

	For the period from 26 April 2016 to 31 December 2016
	RMB'000
	(audited)
Revenue	8,730,866
Net profit before taxation	364,755
Net profit after taxation	320,777

	As at 31 December 2016
	RMB'000
	(audited)
Net assets	705,962

REASONS FOR ENTERING INTO THE FRAMEWORK AGREEMENT

The Group is principally engaged in the research and development of bio-medical and healthcare products, and medical techniques; the provision of the production and sale of tissue engineering products and its related by-products; as well as sales and distribution of medical products and equipment.

Currently, the Group's products have high profit margin of generally over 80% for its major tissue engineering products but the utilisation rate of the Group's production facilities is low with around 70% to 90% spare capacity. The main reason for the spare capacity is the lack of hospitals in co-operation with the Group. At present, the Group co-operates with not more than 85 top to second tier hospitals in the PRC in around 25 cities. The Group has been striving to expand its network of hospitals and medical organisations to gain demand for the Group's products so to unleash the spare capacity of the Group's production plants and increase the revenue of the Group. It is estimated that if the production capacity can be fully utilised in respect of the top products of the Group, the Group's annual revenue and gross profit can be substantially increased.

Both the Target Group and the Group are in the same industry. The Target Group's business model and operation are mature with proven track record, it is believed that strength of the Target Group in sales and marketing and distribution can bring synergy to the Group. Through the sales network of the Target Group with over 2,200 second and third tier hospitals, the Group's products can be introduced to hospitals which have not been reached by the Group before. The Group's current sales network only covers medical organisations in major cities but the Group believes that there are more people in need of the Group's products who are living in under-developed areas in the PRC where the hygiene and medical conditions are generally not up to standard. The Target Group's network covers remote areas which the Group can leverage on for distribution of the Group's medical and healthcare products and the medical equipment that it trades. The around 20,000 pharmacies in the Target Group's sales network can allow the Group to efficiently market its cosmetic products to the end-users. By acquiring the Target Group, the Group can instantly obtain the benefits of the extensive sales network of the Target Group. The Group can save enormous time, cost and effort to expand and develop the sales network of size and coverage comparable to that of the Target Group. In addition to the sales network, the infrastructure of the Target Group (namely, the production plants and logistics centre) can also support and assist the Group in its business expansion in the PRC.

Upon completion of the Proposed Acquisition, the financial results of the Target Group will be consolidated into the consolidated financial statements of the Group. The Group, as enlarged by the Target Group, will become a stronger market player in the industry with larger market share.

The Board is of the view that the Proposed Acquisition is for the business expansion of the Group and is in the best interest of the Company and its shareholders as a whole. The terms of the Framework Agreement were fair and reasonable and negotiated on arm's length basis.

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DEFINITIONS

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

"All Favor"	All Favour Holdings Limited, a company incorporated in the British Virgin Islands and a substantial shareholder of the Company
"Board"	the board of directors
"Company"	China Regenerative Medicine International Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on GEM
"Director(s)"	director(s) of the Company
"Earnest Payment"	a non-refundable Earnest Payment of HK$100 million payable by the Company to the Vendor within 7 days from the signing of the Framework Agreement
"Exclusivity Period"	for a period of 6 months from the date of the Framework Agreement
"Formal SPA"	a definitive agreement in writing in relation to the Proposed Acquisition
"Framework Agreement"	the framework agreement dated 10 December 2017 entered into between the Company and the Vendor in relation to Proposed Acquisition
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

"Nominated Purchaser"	the person or entity to be procured or nominated by the Company to acquire the Sale Shares from the Vendor (where relevant)
"PRC"	People's Republic of China
"PRC Company"	Anhui Hua Yuan Medicine Company Limited* (安徽華源醫藥股份有限公司), a company incorporated in the PRC and is an indirect wholly owned subsidiary of the Target Company
"Proposed Acquisition"	the proposed acquisition of the Sale Shares by the Company from the Vendor as contemplated under the Framework Agreement
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	the shares in the entire issued share capital of the Target Company
"Shareholder's Loan"	the unsecured and interest-free loan in the amount of HK$100 million to be advanced by All Favour to the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Lung Hang Investments Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by the Vendor
"Target Group"	the Target Company and its subsidiaries
"Vendor"	Sacred Heart Healthcare Limited Partnership, an exempted limited partnership registered in the Cayman Islands

By Order of the Board
China Regenerative Medicine International Limited
Chen Chunguo
Executive Director

Hong Kong, 10 December 2017

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

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.crmi.hk.