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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)

DISCLOSEABLE TRANSACTION

SALE OF INTEREST IN A FUND

The Board would like to announce that on 6 January 2020, CRML, a wholly owned subsidiary of the Company, has entered into an agreement to dispose 15% of its Investment in a Fund. This announcement is made pursuant to Chapter 19 of the GEM Listing Rules.

BACKGROUND

Reference is made to the announcements dated 31 March 2017, 17 July 2017, 18 July 2017 and 7 November 2017 of the Company (the “**Previous Announcements**”) in relation to the participation of CRML, a wholly owned subsidiary of the Company, in Haitong International ZhongHua Finance Acquisition Fund I, L.P., a sector fund focusing on investments in the skincare and medical products industries (the “**Fund**”), as a Class B Limited Partner with a capital commitment of US\$35,000,000 (equivalent to approximately HK\$272.30 million) (the “**Investment**”). The terms of the Investment are principally governed by the Limited Partnership Agreement, as amended from time to time, the material terms of which are set forth in the Previous Announcements.

Unless otherwise defined in this announcement, capitalized terms used in this announcement have the meanings ascribed to them in the Previous Announcements.

PARTIAL DISPOSITION OF THE INVESTMENT

As of date of this announcement, CRML has made capital contributions in the aggregate amount of US\$35,000,000 to the Fund. Under the terms of the Investment, CRML is obligated to fund the day-to-day operation of the Fund through additional capital contributions, of which none has been called upon or outstanding as of date of this announcement. Based on the audited consolidated financial statements of the Company as of and for the year ended 31 December 2018, the fair value of the Investment, as supported by the appraisal report of an independent professional valuer, was HK\$298,296,000 (equivalent to approximately US\$38.34 million) (the “**Appraised Value**”).

On 6 January 2020 (after trading hours), CRML, Mr XIONG Qiangen (“**Mr Xiong**”), and the General Partner entered into a deed of transfer, pursuant to which CRML has agreed to dispose of 15% of the Investment (the “**Disposed Interest**”) to Mr Xiong. Details of the transaction (the “**Disposition**”) are set forth below.

Date

6 January 2020

Parties

- (i) CRML;
- (ii) Mr Xiong; and
- (iii) General Partner.

Terms of the Disposition

CRML agrees to transfer, assign and convey to, and Mr Xiong agrees to purchase, the Disposed Interest, for US\$5,800,000 in cash (the “**Consideration**”). Concurrently with the transfer of the Interest, Mr Xiong will assume all outstanding and future obligations in relation to the Disposed Interest under the Limited Partnership Agreement. Based on the Appraised Value of the Investment, the Disposed Interest has a carrying value of HK\$44,744,400 (equivalent to approximately US\$5.75 million). The Disposition will therefore generate a gain of US\$50,000 for the Company.

The Consideration was agreed between CRML and Mr Xiong through arm’s length negotiations. Mr Xiong is obligated to settle the Consideration in full by 30 June 2020, but he has the option to pay by installments on a schedule to be agreed with CRML. Upon payment of the first installment of the Consideration, Mr Xiong will acquire legal title to all of the Disposed Interest.

If the Consideration is not paid in full by 30 June 2020, interest at the rate of 8% per annum will accrue on the unpaid portion of the Consideration, and CRML will have the option to require the General Partner to re-transfer the portion of the Disposed Interest for which Consideration is not received. Any payment received from Mr Xiong thereafter will first be applied towards repayment of accrued and unpaid interest and then the unpaid portion of the Consideration. CRML will also have the right to pursue other remedies against Mr Xiong for the contractual breach.

REASONS FOR THE DISPOSITION AND ITS BENEFITS TO THE COMPANY

The Company is principally engaged in research and development of biomedical and healthcare products and medical techniques; the provision of the production and sales of tissue engineering products and its related derivatives; as well as sales and distribution of medical products and equipment.

In response to the changes in general economic conditions and competition within the industry, the Company has decided to sell the Disposed Interest, which constitutes a small portion of the Investment, so that the Company could use the cash available to focus on other investments, acquisitions and organic growth opportunities in the market.

The Company plans to use the proceeds generated from the Disposition for general working capital purposes.

INFORMATION AND RELATIONSHIP WITH MR XIONG

Mr Xiong is a Class C Limited Partner of the Fund and a veteran in the investments in the skincare and medical products industries. As at 31 October 2019, Mr Xiong had advanced approximately HK\$14,831,000 to the Company under an interim loan facility. The facility allows the Company to borrow up to HK\$100,000,000 principal amount of loans in the aggregate. Interest accrues on the principal amount of each loan at the rate of 8.0% per annum, beginning from the date of drawdown. All outstanding principal amounts, plus accrued and unpaid interest, under the facility are due on 31 March 2020. In consideration of Mr Xiong's grant of the facility to the Company, the Company has provided a guarantee and indemnity for the account of Mr Xiong in favor of a third party financial institution. The Company's financial exposure under the guarantee and indemnity is capped at HK\$8,000,000. None of the applicable percentage ratios calculated in accordance with Chapter 19 of the GEM Listing Rules in relation to the guarantee and indemnity exceeds 5%.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Mr Xiong is a third party independent of the Company and its connected persons as at the date of this announcement.

IMPLICATIONS UNDER THE GEM LISTING RULES

As one or more of the applicable percentage ratios calculated in accordance with Chapter 19 of the GEM Listing Rules in relation to the Disposition exceeds 5% but is less than 25%, the Disposition constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 19 of the GEM Listing Rules.

By Order of the Board
China Regenerative Medicine International Limited
Wang Xuejun
Chief Executive Officer and Executive Director

Hong Kong, 6 January 2020

As at the date of this announcement, the executive Directors are Mr. Wang Chuang (Chairman) and Mr. Wang Xuejun (Chief Executive Officer); the non-executive Directors are Dr. Ray Yip and Mr. Wu Weiliang; and the independent non-executive Directors are Dr. Fang Jun, Ms. Wang Danjuan and Ms. Yang Ying.

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.