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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 CO-OPERATION AGREEMENT IN RELATION TO THE LAB ASSETS OF BIOCELL TECHNOLOGY LIMITED

THE TRANSACTION

On 21 August 2019, BioCell, a wholly-owned subsidiary of the Company, entered into the Agreement with Miskawaan, whereby BioCell as the sole legal and beneficial owner of the Lab Assets, agreed to lease the Lab Assets to Miskawaan, free from any encumbrances, at a consideration of rental amount of HK\$1 per annum, the Put Option with effect from the Completion by Miskawaan to BioCell for an exercise price of HK\$30 million and the NSH which can be converted into Miskawaan's stock or to cash payable by Miskawaan to BioCell in a Liquidity Event. BioCell also agreed to grant the Call Option to Miskawaan at Completion for an exercise price of HK\$30 million. Miskawaan agreed to pay BioCell HK\$700,000 each month in relation to the lease of the Premises for the period from 1 August 2019 up to the Long Stop Date.

IMPLICATIONS UNDER THE GEM LISTING RULES

As one or more of the applicable percentage ratios in respect of the aggregate amount of (i) the leasing of Lab Assets and the Premises; (ii) the grant of the call Option; (iii) the grant of NSH by Miskawaan to BioCell are more than 5% but less than 25%, these said transactions constitute discloseable transactions, for the Company and is subject to the notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

In accordance with the Agreement, the premium in relation to the grant of the Put Option to the Company (and the exercise of the Put Option will be at the discretion of the Company) is zero. Therefore, pursuant to GEM Listing Rule 19.75, as all the applicable percentage ratios calculated are less than 5%, the grant of the Put Option to the Company does not constitute a discloseable transaction of the Company and are exempt from the reporting, announcement and Shareholders' approval requirements. When the Put Option is exercised, the transaction may constitute notifiable transaction(s) under Chapter 19 of the GEM Listing Rules. The Company will comply with the relevant notification, announcement and Shareholders' approval requirements under Chapter 19 of the Listing Rules and further announcement(s) will be made by the Company in this regard as and when necessary.

1. INTRODUCTION

On 21 August 2019, BioCell, a wholly-owned subsidiary of the Company, entered into the Agreement with Miskawaan, whereby BioCell as the sole legal and beneficial owner of the Lab Assets agreed to lease the Lab Assets to Miskawaan, free from any encumbrances, at a consideration of rental amount of HK\$1 per annum, the Put Option with effect from Completion by Miskawaan to BioCell for an exercise price of HK\$30 million and the NSH which can be converted into Miskawaan's stock or to cash payable by Miskawaan to BioCell in a Liquidity Event. BioCell also agreed to grant the Call Option to Miskawaan at Completion for an exercise price of HK\$30 million. Miskawaan agreed to pay BioCell HK\$700,000 each month in relation to the lease of the Premises for the period from 1 August 2019 up to the Long Stop Date.

2. THE TRANSACTION

On 21 August 2019, BioCell entered into the Agreement with Miskawaan. The principal terms of the Agreement are summarised below.

Date:	21 August 2019
Parties:	<ol style="list-style-type: none">1. BioCell as lessor of the Lab Assets and grantor of the Call Option2. Miskawaan as lessee of the Lab Assets and grantor of the Put Option
Lease Term:	Up to the exercise of the Put Option or Call Option

Subject: BioCell, a wholly-owned subsidiary of the Company, as the sole legal and beneficial owner of the Lab Assets agreed to lease the Lab Assets to Miskawaan, free from any encumbrances, at a consideration of rental amount of HK\$1 per annum, the Put Option granted at Completion by Miskawaan to BioCell for an exercise price of HK\$30 million and the NSH which can be converted into Miskawaan's stock or to cash payable by Miskawaan to BioCell in a Liquidity Event. BioCell also agreed to grant the Call Option to Miskawaan with effect from Completion for an exercise price of HK\$30 million. Miskawaan agreed to pay BioCell HK\$700,000 each month in relation to the lease of the Premises for the period from 1 August 2019 to the Long Stop Date.

Consideration: The aggregate value of the consideration for the Transaction is:

- (a) rental amount of HK\$1 per annum;
- (b) exercise price of the Put Option of HK\$30 million;
- (c) NSH, having value of HK\$1 as at the date of the Agreement; and
- (d) rental amount of the Premises of HK\$700,000 per month commencing from 1 August 2019 to the Long Stop Date.

Payment of Consideration: Miskawaan shall pay to BioCell, and BioCell shall receive from Miskawaan:

- (a) the rental amount of HK\$1 per annum;
- (b) the exercise price of the Call Option of HK\$30 million during a period of 6 months from the occurrence of the Liquidity Event, if the Call Option is exercised by Miskawaan; and
- (c) HK\$700,000 on a monthly basis for the period from 1 August 2019 to the Long Stop Date, with the exception of the first payment for August 2019 at Pre-Completion and on a pro-rata basis if the period concerned is less than a month.

At Completion, BioCell shall receive from Miskawaan a letter of granting NSH duly executed by Miskawaan. The NSH cannot in any event be assigned or transferred to any third party. The NSH as adjusted (upward or downward) in accordance with Miskawaan's other shareholders or any other investors' investment into the share capital of Miskawaan shall be converted into shares in Miskawaan at the option of Miskawaan only upon a Liquidity Event, and the value of such NSH as adjusted shall be determined as follows:

- (a) in the case of an IPO, market capitalisation of Miskawaan X the NSH percentage as adjusted; and
- (b) in the case of a sale of Miskawaan, the consideration X the NSH percentage as adjusted; and for the avoidance of doubt, the consideration of such a sale means the final consideration after all adjustments which may apply in such sale.

The NSH as adjusted can be converted into:

- (a) cash in immediately available funds, based on the value of the NSH as adjusted;
- (b) in the case of an IPO, shares issued by Miskawaan at the IPO, and the number of shares to be issued shall be calculated by the NSH value as adjusted divided by the IPO price of Miskawaan, rounded down to the nearest number of board lots; or
- (c) at the absolute discretion of Miskawaan, a combination of (a) and (b);

provided that the aggregate value converted shall not exceed HK\$420,000,000 and shall not be lower than HK\$120,000,000.

Conditions:

The Agreement is conditional upon satisfaction of conditions at Pre-Completion and Completion.

At Pre-Completion, which is to take place within 3 Business Days following signing of the Agreement, the following conditions shall be satisfied:

- (a) BioCell shall deliver to Miskawaan:
 - (i) a copy of the signed application for early termination of the lease in respect of the Premises with the landlord of the Premises and the keys and all other things necessary for the access to the Premises; and
 - (ii) a list of all current usernames and passwords necessary for the access to and management of the information system situated at the Lab or located elsewhere but is pertinent or ancillary to the operation of the Lab and the Lab Assets.
- (b) Miskawaan shall pay BioCell HK\$700,000 in relation to the lease of the Premises for the period from 1 August 2019 to 31 August 2019 by way of a crossed cheque.

Completion shall take place on the next Business Day following satisfaction of all the following conditions:

- (a) BioCell's legal and valid existence under Hong Kong law;
- (b) BioCell having procured the Employees to enter into new employment agreements with Miskawaan in substantially the same terms as those Employees' existing employment with BioCell, with the date of commencement of employment being the Completion Date;
- (c) termination of the existing lease in respect of the Premises and BioCell having procured the landlord of the Premises to enter into a new lease with Miskawaan (or such other entity as designated by Miskawaan) in respect of the Premises for a period of not less than 3 years upon terms of lease as acceptable by Miskawaan;
- (d) no action before any court, tribunal or arbitrator of a competent jurisdiction or by any governmental authority which seek to prohibit, restrict, impose condition or limitation on or otherwise challenge any of the transactions contemplated in the Agreement;

- (e) all BioCell's representations and warranties remaining true and correct in all material respects and not misleading in any material respect and BioCell having complied with all covenants under the Agreement; and
- (f) the notice of transfer under the Transfer of Businesses (Protection of Creditors) Ordinance having been published in the Gazette and the newspapers and has become complete at the date of transfer of business.

Completion is conditional on each of the above conditions being fulfilled on or before the Long Stop Date. All conditions are incapable of being waived by either BioCell or Miskawaan (except condition (e) which can be waived by Miskawaan).

Following Pre-Completion but before Completion, Miskawaan shall continue to pay HK\$700,000 each month to BioCell in relation to the lease of the Premises until the termination of the lease between BioCell and the landlord of the Premises or the commencement of the lease between Miskawaan and the landlord of the Premises, whichever is earlier. If Completion does not take place on or before the Long Stop Date or such other date as agreed between Miskawaan and BioCell, the total amount payable by Miskawaan to BioCell as deposit shall be refundable.

Call Option:

The Call Option shall be granted at Completion:

- BioCell as grantor of the Call Option

Option Expiry

- 6 months from the Liquidity Event

Option Exercise Condition

- Occurrence of a Liquidity Event

Option Exercise Price

- HK\$30,000,000

Option Exercise Period

- Exercisable by Miskawaan at any time during a period of 6 months from the occurrence of the Liquidity Event

Given the exercise of the Call Option is not at the discretion of the Company, on the grant of the Call Option, the Call Option will be treated as if it were exercised for the purposes of compliance under the GEM Listing Rules.

Put Option:

The Put Option shall be granted at Completion:

- Miskawaan as grantor of the Put Option

Option Expiry

- 6 months from the Liquidity Event

Option Exercise Condition

- Occurrence of a Liquidity Event

Option Exercise Price

- HK\$30,000,000

Option Exercise Period

- Exercisable by BioCell at any time during a period of 6 months from the occurrence of the Liquidity Event

As the Put Option is exercisable at the discretion of the Company if a Liquidity Event occurs, the Company will comply with the relevant requirements under Chapter 19 of the GEM Listing Rules when it determines to exercise the Put Option.

Post-Completion Undertakings:

BioCell undertakes to Miskawaan to, among others:

- use all reasonable endeavours to remedy, free of charge, any material defect in the Lab Assets which manifests itself within 3 years from delivery of the Lab Assets or the occurrence of any of the Liquidity Events, whichever is later, failing which the NSH value as adjusted will be reduced;

- co-operate with Miskawaan to agree to plan for possible divestment of the Lab Assets by BioCell or acquisition of the Lab Assets by Miskawaan if the GMP Certification could not be achieved; and
- not to solicit or entice away from the employment of Miskawaan any Employee for a period of 3 years after Completion while the Agreement remains in effect or for a further period of 6 months after the termination of the Agreement, failing which BioCell will pay to Miskawaan a sum equal to one year's basic salary or the annual fee payable by the claiming party to the Employee concerned plus the recruitment costs incurred by the claiming party in replacing such person.

Miskawaan undertakes to BioCell to, among others:

- contribute growth capital, intellectual property and associated costs towards the achievement of GMP Certification for the Lab on a best effort basis; and
- be responsible for all ongoing costs associated with the Lab Assets and maintenance and ongoing operations of the Lab.

Termination:

The following are Termination Events whereby Miskawaan may terminate the Agreement by written notice to BioCell:

- breach of any BioCell's representations and warranties;
- failure on BioCell's part to complete the Transaction on or before the Long Stop Date;
- breach of BioCell's post-Completion undertakings;
- receivership or liquidation or any steps having been taken for receivership or liquidation of BioCell; presentation of a petition for winding up of BioCell or otherwise grounds on which such petition have arisen;
- disposal of or otherwise creation of any encumbrances over the shares in BioCell or any Lab Assets; and
- termination as agreed between BioCell and Miskawaan.

Consequences of
Termination Events:

Miskawaan shall be entitled to:

- rescind the Agreement and all losses and costs incurred by Miskawaan in respect of the Agreement shall be indemnified by BioCell; and
- take possession or otherwise sell or dispose of the Lab Assets under the lien created under the Agreement to cover any losses indemnified by BioCell.

The Options and all NSH rights shall be extinguished immediately.

3. INFORMATION ABOUT THE PARTIES

Information on the Company

The Company principally engages in the research and development of bio-medical 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.

Information on BioCell

BioCell, a subsidiary of the Company, operates the Company's China stem cell clinical applications and gene preparation centre at the Premises in Hong Kong. It provides cell preparation processes for international biotechnology companies, international pharmaceutical plants, clinical application institutions and cell libraries in line with international and domestic cell preparation quality standards, as well as technology platforms for clinical application transformation for the improvement and development of the cellular therapy.

Financial information in relation to the Lab Assets

The net book value of the Lab Assets as at 30 June 2019 is approximately HK\$23.8 million.

Information on Miskawaan Health Group Limited

Miskawaan Health Group Limited's ("MHG") clinics in Hong Kong (China) and Bangkok (Thailand) combine leading naturopathic and regenerative therapies with cutting-edge diagnostics and analysis. MHG's proprietary technologies have been pioneered and developed by Dr Johannes Wessolly of Germany for over 30 years and are endorsed by renowned Neurosurgeon Professor Dr Charlie Teo and leading Cardiologist Dr Ross Walker of Australia. Our ultimate mission is to positively impact the health and wellbeing of a billion lives.

Information on Miskawaan Biotech Limited (“Miskawaan”)

Miskawaan will immediately commence work to establish a GMP (Good Manufacturing Practice) Certified laboratory in Hong Kong, which will specialise in the Research and Development (“R&D”) of Stem Cell technology and Stem Cell related medications. This will include further R&D on MHG’s own proprietary Miskawaan Embedded Stem Cell Therapy. MHG Management believes that the establishment of a GMP Certified laboratory will significantly fast-track certain MHG future plans, products and initiatives. Such initiatives include further R&D on MHG’s existing proprietary cancer prevention and treatment therapies, collaboration with other German Professors in the R&D on the Professors’ own proprietary cancer prevention and treatment therapies which have been offered exclusively to MHG, and the establishment of an MHG proprietary infusion production lab.

Miskawaan is a wholly-owned subsidiary of MHG and is a company incorporated in Hong Kong with limited liability.

4. REASONS FOR AND BENEFITS OF THE TRANSACTION

The Group is principally engaged in research and development of bio-medical 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.

The Co-operation is intended to fully utilize BioCell’s premium facilities and conditions, introduce advanced cell technologies and products from Europe and the United States, and thereby, serving to further progress the GMP application and certification of BioCell’s laboratory workshop, accelerate the legal clinical application of advanced cell therapeutics in Hong Kong, and allow for the establishment of the first batch of cell-preparation center and produce cell therapy products in Hong Kong with GMP certification serving the general public in Hong Kong, mainland China and Southeast Asia.

The Directors, therefore, consider that the terms of the Agreement are fair and reasonable, and in the interests of the Company and its shareholders as a whole.

5. IMPLICATIONS UNDER THE GEM LISTING RULES

As one or more of the applicable percentage ratios in respect of the aggregate amount of (i) the leasing of Lab Assets and the Premises; (ii) the grant of the call Option; (iii) the grant of NSH by Miskawaan to BioCell are more than 5% but less than 25%, these said transactions constitute discloseable transactions, for the Company and is subject to the notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

In accordance with the Agreement, the premium in relation to the grant of the Put Option to the Company (and the exercise of the Put Option will be at the discretion of the Company) is zero. Therefore, pursuant to GEM Listing Rule 19.75, as all the applicable percentage ratios calculated are less than 5%, the grant of the Put Option to the Company does not constitute a discloseable transaction of the Company and are exempt from the reporting, announcement and Shareholders' approval requirements. When the Put Option is exercised, the transaction may constitute notifiable transaction(s) under Chapter 19 of the GEM Listing Rules. The Company will comply with the relevant notification, announcement and Shareholders' approval requirements under Chapter 19 of the Listing Rules and further announcement(s) will be made by the Company in this regard as and when necessary.

6. DEFINITIONS

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

“Agreement”	the co-operation agreement made the 21st day of August 2019 between BioCell and Miskawaan;
“BioCell”	BioCell Technology Limited, a company incorporated in Hong Kong with limited liability and is a subsidiary of the Company;
“Board”	the board of directors of the Company;
“Business Day”	a day on which banks in Hong Kong are open for business, other than: (i) a Saturday or a Sunday; or (ii) a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.;

“Call Option”	the call option granted by BioCell to Miskawaan, with effect from Completion, a right (but not an obligation) to purchase the Lab Assets when a Liquidity Event occurs, at the exercise price of HK\$30,000,000;
“Company”	China Regenerative Medicine International Limited, a company incorporated in the Cayman Islands and listed on GEM of The Stock Exchange of Hong Kong Limited on 18 July 2001 (Stock Code: 8158);
“Completion”	completion of the lease of Lab Assets pursuant to the Agreement, by the performance by BioCell and Miskawaan of the several obligations contained in Clause 5 of the Agreement;
“Completion Date”	the date of Completion;
“Co-operation”	the co-operation between Miskawaan and Biocell pursuant to the terms of the Agreement;
“Directors”	the directors of the Company;
“Employees”	such employees of the Lab as specified by Miskawaan to BioCell within 60 days from the date of the Agreement;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Hong Kong Stock Exchange;
“Group”	the Company and its subsidiaries;
“GMP Certification”	good manufacturing practice certification;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“IPO”	item (i) of the Liquidity Event;
“Lab”	the laboratory situated at the Premises and operated by BioCell as at the date of the Agreement;

“Lab Assets”	all the assets of the Lab specified in Schedule 1 to the Agreement;
“Liquidity Event”	either: <ul style="list-style-type: none"> (i) a listing and initial public offering of the shares of Miskawaan or any of its affiliates on the Stock Exchange; or (ii) change of more than 50% of the ownership of or control over Miskawaan;
“Long Stop Date”	31 October 2019 (or such later date as may be agreed between BioCell and Miskawaan in writing);
“Miskawaan”	Miskawaan Biotech Limited, a company incorporated in Hong Kong with limited liability and is a subsidiary of Miskawaan Health Group Limited;
“NSH”	15% of Miskawaan’s issued share capital, subject to adjustment from time to time;
“Options”	the Call Option and the Put Option;
“Premises”	7/F, Building 15W, Phase 3, Hong Kong Science Park, Shatin, Hong Kong;
“Pre-Completion”	has the meaning ascribed to it under Clause 4.1 of the Agreement;
“Put Option”	the put option granted by Miskawaan to BioCell, with effect from the Completion, a right (but not an obligation) to sell the Lab Assets when a Liquidity Event occurs, at the exercise price of HK\$30,000,000;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Termination Events” has the meaning ascribed to it under Clause 15.1 of the Agreement; and

“Transaction” the agreement in relation to (i) the leasing of the Lab Assets and the Premises, lease (ii) the grant of the Options over the Lab Assets of Biocell; and (iii) the Grant of NSH by Miskawaan to BioCell.

By Order of the Board
China Regenerative Medicine International Limited
Ray Yip
Chairman and Executive Director

Hong Kong, 21 August 2019

As at the date of this announcement, the executive Directors are Dr. Ray Yip (Chairman) and Mr. Wang Xuejun (Chief Executive Officer); the non-executive Director is Dr. Zhang Bin and the independent non-executive Director is Dr. Fang Jun.

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 be published on the GEM website at www.hkgem.com on the “Latest Company Announcement” page for at least 7 days from the date of publication and on the Company’s website at <http://www.crimi.cn/html/index.php>.