

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or their registered licensed dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Regenerative Medicine International Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase, or subscribe for securities of the Company.

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**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)**

**(I) CONNECTED TRANSACTION –  
ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE;  
(II) PROPOSED APPOINTMENT OF AUDITORS;  
AND  
(III) NOTICE OF EGM**

**Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders**



**Gram Capital Limited**  
**嘉林資本有限公司**

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” in this circular.

A letter from the Board is set out on pages 5 to 28 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 29 to 30 of this circular. A letter from Gram Capital containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 31 to 43 of this circular.

A notice convening the EGM to be held at Rooms 3006-10, 30/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Monday, 7 December 2020 at 2:30 p.m., is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar in Hong Kong, Union Registrars Limited of Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

*This circular will remain on the “Latest Listed Company Information” page of the GEM website at [www.hkgem.com](http://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](http://www.crmi.hk).*

20 November 2020

## CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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## DEFINITIONS

*In this circular, unless the context otherwise requires, the following terms shall have the following meanings:*

|                       |  |
|-----------------------|--|
| “acting in concert”   | has the meaning ascribed to it under the Takeovers Code  |
| “AGM”                 | the annual general meeting of the Company held on Monday, 31 August 2020   |
| “associate(s)”        | has the meaning ascribed to it under the GEM Listing Rules   |
| “BDO”                 | BDO Limited, a certified public accountants firm in Hong Kong  |
| “Board”               | the board of Directors   |
| “Bondholder(s)”       | a person or persons in whose name a Convertible Bond is registered in the register of bondholders  |
| “Business Day(s)”     | a day (other than a Saturday, Sunday or public holiday and any day on which a tropical cyclone warning No. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours |
| “CB Instrument”       | the instrument to be executed by the Company by way of a deed poll constituting the Convertible Bonds upon Completion  |
| “CB Specific Mandate” | the specific mandate to be granted by the Independent Shareholders to the Board at the EGM for the allotment and issue of the Conversion Shares  |
| “Company”             | China Regenerative Medicine International Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the GEM  |
| “Completion”          | the completion of the Subscription   |

## DEFINITIONS

|                         |  |
|-------------------------|--|
| “Completion Date”       | the date on which the Completion occurs, which shall be no later than three Business Days after the date on which the conditions precedent as set out in the Subscription and Settlement Agreement are fulfilled or, as the case may be, waived (or such later date as may be agreed between the Parties in writing)   |
| “connected person(s)”   | has the meaning ascribed to it under the GEM Listing Rules   |
| “Conversion Price”      | the conversion price per Share shall be HK\$0.20 per Conversion Share, subject to adjustments in accordance with the CB Instrument   |
| “Conversion Share(s)”   | 475,000,000 Share(s) to be allotted and issued upon exercise of the Conversion Rights  |
| “Convertible Bond(s)”   | the convertible bonds in the aggregate principal amount of HK\$95 million to be issued by the Company pursuant to the Subscription and Settlement Agreement  |
| “Director(s)”           | the director(s) of the Company   |
| “EGM”                   | the extraordinary general meeting of the Company to be convened and held by the Company at Rooms 3006-10, 30/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Monday, 7 December 2020 at 2:30 p.m. to consider and, if thought fit, approve, among other things, (i) the Subscription and Settlement Agreement and the transactions contemplated thereunder (including but not limited to, the issue of the Convertible Bonds, the issue and allotment of the Conversion Shares upon the exercise of the Conversion Rights or otherwise, pursuant to the CB Instrument) and; (ii) the proposed appointment of McM as new auditors of the Company |
| “GEM”                   | the GEM of the Stock Exchange  |
| “GEM Listing Committee” | has the meaning ascribed to it under the GEM Listing Rules   |
| “GEM Listing Rules”     | the Rules Governing the Listing of Securities on GEM   |
| “Group”                 | the Company and its subsidiaries   |

## DEFINITIONS

|   |  |
|---|--|
| “Hong Kong”                                       | the Hong Kong Special Administrative Region of the People’s Republic of China  |
| “Independent Board Committee”                     | the independent committee of the Board comprising Dr. Fang Jun, Ms. Huo Chunyu and Ms. Yang Ying, established to give recommendations to the Independent Shareholders on the Subscription and Settlement Agreement and the transactions contemplated thereunder including the allotment and issue of the Conversion Shares   |
| “Independent Financial Adviser” or “Gram Capital” | Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong), being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the Subscription and Settlement Agreement and the transactions contemplated thereunder including the allotment and issue of the Conversion Shares |
| “Independent Shareholders”                        | the Shareholders other than the Subscriber and parties acting in concert with it and their respective associates (as defined under the GEM Listing Rules) and all other Shareholders (if any) who are involved or interested in the Subscription and Settlement Agreement and the transactions contemplated thereunder   |
| “Latest Practicable Date”                         | 17 November 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular  |
| “McM”   | McM (HK) CPA Limited, a certified public accountants firm in Hong Kong   |
| “Mr. Dai”   | Mr. Dai Yumin  |
| “Parties”   | the parties to the Subscription and Settlement Agreement, namely the Company and All Favour  |
| “SFC”   | the Securities and Futures Commission of Hong Kong   |

## DEFINITIONS

|   |   |
|---|---|
| “Share(s)”                              | ordinary share(s) of HK\$0.20 each in the share capital of the Company  |
| “Shareholder(s)”                        | holder(s) of the Share(s)   |
| “Shareholder’s Loan”                    | the shareholder’s loan previously advanced by the Subscriber to the Company in the aggregate amount of HK\$100 million under the Shareholder’s Loan Agreement and according to the accounts of the Company as at 30 June 2020 |
| “Shareholder’s Loan Agreement”          | a loan agreement dated 10 December 2017 entered into between the Company as borrower and the Subscriber as lender   |
| “Stock Exchange”                        | The Stock Exchange of Hong Kong Limited   |
| “Subscriber” or “All Favour”            | All Favour Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a substantial Shareholder interested in 582,907,765 Shares as at the Latest Practicable Date                     |
| “Subscription”                          | the subscription of the Convertible Bonds in the principal amount of HK\$95 million by the Subscriber pursuant to the terms of the Subscription and Settlement Agreement  |
| “Subscription and Settlement Agreement” | the subscription and settlement agreement dated 20 October 2020 entered into between the Company and the Subscriber in relation to the Subscription   |
| “Subscription Price”                    | HK\$100 million, being the subscription price of the Convertible Bonds  |
| “substantial Shareholder(s)”            | has the meaning ascribed to it under the GEM Listing Rules  |
| “Takeovers Code”                        | the Code on Takeovers and Mergers issued by the SFC as amended from time to time  |
| “HK\$”                                  | Hong Kong dollars, the lawful currency of Hong Kong   |
| “%”                                     | per cent.   |

\* For identification purposes only



**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)**

*Executive Directors:*

Mr. Wang Chuang

*(Chairman and Chief Executive Officer)*

Mr. Qiu Bin

*Non-executive Directors:*

Mr. Wu Weiliang

Mr. Tsang Ho Yin

*Independent non-executive Directors:*

Dr. Fang Jun

Ms. Huo Chunyu

Ms. Yang Ying

*Registered Office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

*Head office and principal place  
of business:*

Suite 2310-2318

Miramar Tower

132 Nathan Road

Tsim Sha Tsui

Kowloon

Hong Kong

20 November 2020

*To the Shareholders*

Dear Sir or Madam,

**(I) CONNECTED TRANSACTION –  
ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE;  
(II) PROPOSED APPOINTMENT OF AUDITORS;  
AND  
(III) NOTICE OF EGM**

**INTRODUCTION**

References are made to the announcements of the Company dated 20 October 2020 and 16 November 2020, in which the Board announced that on 20 October 2020 (after trading hours), the Company entered into the Subscription and Settlement Agreement with the Subscriber, pursuant to which the Company conditionally agreed to issue, and the Subscriber conditionally agreed to subscribe for or procure the Subscription by its nominee(s) of, the Convertible Bonds in the principal amount of HK\$95 million, and the Subscriber shall pay the Subscription Price of HK\$100 million at Completion by setting off against the Shareholder's Loan.



## LETTER FROM THE BOARD

The Subscription is subject to the Independent Shareholders' approval.

Reference is also made to the announcement of the Company dated 12 November 2020 in relation to the proposed appointment of McM as the new auditors of the Company to hold office until the conclusion of the next annual general meeting of the Company. The proposed appointment of McM as the new auditors of the Company is subject to the Shareholders' approval.

The purpose of this circular is to provide you with, among other things, (i) further details of the Subscription and Settlement Agreement and the transactions contemplated thereunder, including the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares under the CB Specific Mandate; (ii) a letter of recommendations from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders; (iv) details regarding the proposed appointment of McM as new auditors of the Company; and (v) a notice convening the EGM.

### **(I) ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE**

On 20 October 2020 (after trading hours), the Company entered into the Subscription and Settlement Agreement with the Subscriber, pursuant to which the Company conditionally agreed to issue and the Subscriber conditionally agreed to subscribe for or procure the Subscription by its nominee(s) of, the Convertible Bonds in the principal amount of HK\$95 million.

Pursuant to the Shareholder's Loan Agreement, and according to the accounts of the Company as at 30 June 2020, the Company is indebted to the Subscriber in the aggregate amount of HK\$100 million, being the Shareholder's Loan previously advanced by the Subscriber to the Company. Although the amount of shareholder loans of the Company as stated in its interim report for the six months ended 30 June 2020 was HK\$94,967,000 as at 30 June 2020 which was stated at its fair value, the nominal amount of the Shareholder's Loan amounted to HK\$100 million as at 30 June 2020. As disclosed in note 29 to the annual report of the Company for the year ended 31 December 2019, in accordance with applicable accounting principles, the Shareholder's Loan was stated at fair value being calculated using cash flow discounted at market interest rate of 5% per annum, and the difference between the fair value and nominal value of the Shareholder's Loan was included in other reserve in equity. The Subscriber shall pay the Subscription Price upon Completion by setting off against the Shareholder's Loan. Upon Completion and issue of the Convertible Bonds, the repayment obligations of the Company for the Shareholder's Loan to the extent of HK\$100 million in aggregate shall be fully discharged. To the extent that any amount of the Shareholder's Loan is set-off by the Subscription Price for the Convertible Bonds, the Subscriber agreed to waive all its rights absolutely against the Company for any claim whatsoever.

## LETTER FROM THE BOARD

### The Subscription and Settlement Agreement

Set out below are the principal terms of the Subscription and Settlement Agreement:

- Date: 20 October 2020 (after trading hours)
- Parties: (i) the Company, as issuer; and
- (ii) All Favour Holdings Limited, as the Subscriber.

As at the Latest Practicable Date, the Subscriber is a substantial Shareholder holding 582,907,765 Shares, representing approximately 24.50% of the issued share capital of the Company. Accordingly, the Subscriber is a connected person of the Company under Chapter 20 of the GEM Listing Rules. The Subscriber is a company incorporated in the British Virgin Islands with limited liability and principally engaged in investment holding. The Subscriber is beneficially owned as to (i) 40% by Nat-Ace Wood Industry Ltd. which is ultimately and wholly-owned by Mr. Xu Yi (“Mr. Xu”); (ii) 20% by Honour Top Holdings Limited which is ultimately and wholly-owned by Mr. Dai; and (iii) 40% by Mr. Dai.

### Conditions precedent

The obligations of the Parties to effect the Completion shall be conditional upon:

- (a) the GEM Listing Committee of the Stock Exchange having granted the listing of and permission to deal in the Conversion Shares;
- (b) the passing by the Independent Shareholders who are entitled to vote and not required to be abstained from voting under the GEM Listing Rules at the EGM of the necessary resolution(s) to approve the Subscription and Settlement Agreement and the transactions contemplated thereunder;
- (c) the representations, warranties and undertakings by the Company remaining true, accurate and complete in all material respects; and
- (d) all necessary consents and approvals required to be obtained on the part of the Company and the Subscriber in respect of the Subscription and Settlement Agreement and the transactions contemplated thereby having been obtained.

## LETTER FROM THE BOARD

The Company shall use its best endeavours to procure the fulfilment of the abovementioned conditions precedent (a), (b), (c) and (d), and the Subscriber shall use its best endeavours to procure the fulfillment of the abovementioned condition precedent (d), as soon as practicable and in any event on or before 31 December 2020 or such other date as may be agreed by the Parties in writing (the “**Long Stop Date**”). The Subscriber may at any time by notice in writing to the Company waive the abovementioned condition precedent (c). All other conditions precedent above are incapable of being waived by the Parties.

If the abovementioned conditions precedent are not fulfilled (or waived as the case may be) on or before the Long Stop Date, the Subscription and Settlement Agreement (save and except certain provisions as set out in the Subscription and Settlement Agreement) shall lapse and become null and void and the Parties shall be released from all obligations thereunder (save and except certain provisions as set out in the Subscription and Settlement Agreement), save for any liability arising out of any antecedent breaches thereof.

In the event of any extension of the Long Stop Date beyond 31 December 2020, the Company will re-comply with the applicable GEM Listing Rules requirements (including obtaining Shareholders’ approval as required under Rule 17.39 of the GEM Listing Rules), and the CB Specific Mandate will only remain valid up to 31 December 2020.

As at the Latest Practicable Date, none of the above conditions precedent has been fulfilled or waived.

### **Completion**

Subject to the conditions precedent as set out in the Subscription and Settlement Agreement, Completion shall take place on the Completion Date (or such other date as the Parties may agree in writing). Upon Completion, the Subscriber will also execute a deed of set-off to set-off the Subscription Price against the Shareholder’s Loan in full.

### **Principal terms of the Convertible Bonds**

Set out below are the principal terms of the Convertible Bonds:

|                   |   |
|-------------------|---|
| Issuer:           | The Company   |
| Principal amount: | HK\$95 million  |
| Interest:         | The Convertible Bonds shall bear no interest.   |
| Maturity date:    | Being the date of the third anniversary after the first issue of the Convertible Bonds (or, if that is not a Business Day, the first Business Day thereafter) (the “ <b>Maturity Date</b> ”). |

## LETTER FROM THE BOARD

Conversion Price: The initial Conversion Price shall be HK\$0.20 per Conversion Share, subject to adjustments as set out in the paragraph headed “Adjustments to the Conversion Price” below.

The initial Conversion Price represents:

- (i) a discount of approximately 1.48% to the closing price of HK\$0.203 per Share as quoted on the Stock Exchange on the date of the Subscription and Settlement Agreement;
- (ii) a premium of approximately 0.50% over the average closing prices of HK\$0.199 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription and Settlement Agreement; and
- (iii) a discount of approximately 6.98% to the closing price of HK\$0.215 per Share quoted on the Stock Exchange on the Latest Practicable Date.

The net Conversion Price, after deduction of relevant expenses, is approximately HK\$0.198 per Conversion Share.

The Conversion Price was arrived at after arm’s length negotiations between the Parties, taking into account of, among others, the prevailing trading performance of the Shares and the financial position of the Group. The Directors (including the independent non-executive Directors after taking into consideration of the advice from Gram Capital) consider that the Conversion Price and the terms and conditions of the Subscription and Settlement Agreement and the Convertible Bonds are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## LETTER FROM THE BOARD

Adjustments to  
the Conversion  
Price:

The Conversion Price shall from time to time be adjusted in accordance with the following events:

- (i) if and whenever the Shares by reason of any consolidation or sub-division become of a different nominal amount, the Conversion Price in force immediately prior thereto shall be adjusted by multiplying the following fraction:

$$\frac{A}{B}$$

where:

A = the nominal amount of one Share immediately after such alteration; and

B = the nominal amount of one Share immediately before such alteration.

Each such adjustment shall be effective from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation or sub-division becomes effective;

- (ii) if and whenever the Company shall issue (other than in lieu of a cash dividend) any Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), the Conversion Price in force immediately prior to such issue shall be adjusted by multiplying the following fraction:

$$\frac{A}{(A + B)}$$

where:

A = the aggregate nominal amount of the issued Shares immediately before such issue; and

B = the aggregate nominal amount of the Shares issued in such capitalization.

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for such issue;

## LETTER FROM THE BOARD

- (iii) if and whenever the Company shall make any capital distribution (as defined in the CB Instrument) to holders (in their capacity as such) of Shares (whether on a reduction of capital or otherwise) or shall grant to such holders rights to acquire for cash assets of the Company or any of its subsidiaries, the Conversion Price in force immediately prior to such distribution or grant shall be adjusted by multiplying it by the following fraction:

$$\frac{A - B}{A}$$

where:

A = the market price on the date on which the capital distribution or, as the case may be, the grant is publicly announced or (failing any such announcement) next preceding day of the capital distribution or, as the case may be, of the grant; and

B = the fair market value on the day of such announcement or (as the case may require) the next preceding day, as determined in good faith by the auditors, of the portion of the capital distribution or of such rights which is attributable to one Share. For avoidance of doubt, if the capital distribution is distributions in cash the fair market value shall be the cash value and determination by the auditors is not required.

Provided that:

- (a) if in the opinion of the auditors, the use of the fair market value as aforesaid produces a result which is significantly inequitable, it may instead determine (and in such event the above formula shall be construed as if B meant) the amount of the said market price which should properly be attributed to the value of the capital distribution or rights; and

## LETTER FROM THE BOARD

- (b) the provisions of this sub-paragraph (iii) shall not apply in relation to the issue of Shares paid out of profits or reserves and issued in lieu of a cash dividend.

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for the capital distribution or grant;

- (iv) if and whenever the Company shall offer to the Shareholders new Shares for subscription by way of rights, or shall grant to the Shareholders any options or warrants to subscribe for new Shares, at a price which is less than 80% of the market price on the date of the announcement of the terms of the offer or grant, the Conversion Price shall be adjusted by multiplying it by the following fraction:

$$\frac{(A + B)}{(A + C)}$$

where:

A = the number of Shares in issue immediately before the date of such announcement;

B = the number of Shares which the aggregate of the amount (if any) payable for the rights, options or warrants and of the amount payable for the total number of new Shares comprised therein would purchase at such market price; and

C = the aggregate number of Shares offered for subscription or comprised in the options or warrants.

Such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for the offer or grant;

## LETTER FROM THE BOARD

- (v) (a) if and whenever the Company shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares, and the total effective consideration per Share (as defined in the CB Instrument) initially receivable for such securities is less than 80% of the market price on the date of the announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the issue by the following fraction:

$$\frac{(A + B)}{(A + C)}$$

where:

A = the number of Shares in issue immediately before the date of the issue;

B = the number of Shares which the total effective consideration receivable for the securities issued would purchase at such market price; and

C = the number of Shares to be issued upon conversion or exchange of, or the exercise of the subscription rights conferred by, such securities at the initial conversion or exchange rate or subscription price.

Such adjustment shall become effective (if appropriate retroactively) from the close of business in Hong Kong on the Business Day next preceding whichever is the earlier of the date on which the issue is announced and the date on which the Company determines the conversion or exchange rate or subscription price;



## LETTER FROM THE BOARD

- (b) if and whenever the rights of conversion or exchange or subscription attached to any such securities as are mentioned in section (a) of this sub-paragraph (v) are modified so that the total effective consideration per Share (as defined in the CB Instrument) initially receivable for such securities shall be less than 80% of the market price on the date of announcement of the proposal to modify such rights of conversion or exchange or subscription, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by the following fraction:

$$\frac{(A + B)}{(A + C)}$$

where:

- A = the number of Shares in issue immediately before the date of such modification;
- B = the number of Shares which the total effective consideration receivable for the securities issued at the modified conversion or exchange price would purchase at such market price; and
- C = the number of Shares to be issued upon conversion or exchange of or the exercise of the subscription rights conferred by such securities at the modified conversion or exchange rate or subscription price.

Such adjustment shall become effective as at the date upon which such modification shall take effect;

## LETTER FROM THE BOARD

- (vi) if and whenever the Company shall issue wholly for cash any Shares at a price per Share which is less than 80% of the market price on the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by the following fraction:

$$\frac{(A + B)}{(A + C)}$$

where:

A = the number of Shares in issue immediately before the date of such announcement;

B = the number of Shares which the aggregate amount payable for the issue would purchase at such market price; and

C = the number of Shares so issued.

Such adjustment shall become effective on the date of the issue; and

- (vii) if and whenever the Company shall issue Shares for the acquisition of asset at a total effective consideration per Share (as defined in the CB Instrument) which is less than 80% the market price at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted in such manner as may be determined by the auditors.

## LETTER FROM THE BOARD

Conversion Shares: Based on the initial Conversion Price of HK\$0.20 per Conversion Share, a maximum number of 475,000,000 Conversion Shares will be allotted and issued upon exercise of the Conversion Rights in full, which represent:

- (i) approximately 19.96% of the issued share capital of the Company as at the Latest Practicable Date; and
- (ii) approximately 16.64% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon the exercise of the Conversion Rights in full.

The maximum aggregate nominal value of the Conversion Shares is HK\$95,000,000. The Shares upon conversion of the Convertible Bonds will in all respects rank *pari passu* with the Shares in issue on the relevant conversion date of the Convertible Bonds.

Conversion period: The period from the date of the issue of the Convertible Bond up to the day immediately prior to the Maturity Date (the “**Conversion Period**”).

Conversion rights: The Bondholder shall, subject to the provisions of the CB Instrument, have the right at any time during the Conversion Period to convert the whole or part (not less than a whole multiple of HK\$5,000,000) of the outstanding principal amount of the Convertible Bonds into Shares at the Conversion Price (the “**Conversion Rights**”).

## LETTER FROM THE BOARD

|                          |   |
|--------------------------|---|
| Conversion restrictions: | <p>The Conversion Rights shall only be exercised on the condition that at the time a notice of conversion is issued (i) any conversion of the Convertible Bonds does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code or such mandatory offer obligation has been waived on the part of the Bondholder(s) which exercised the Conversion Rights, whether or not such mandatory offer obligation is triggered off by the fact that the number of Conversion Shares to be allotted and issued upon the exercise of the Conversion Rights attaching to the Convertible Bonds (if applicable, including any Shares acquired by the parties acting in concert with the Bondholder(s)); and (ii) the public float of the Shares shall not be less than 25% (or any given percentage as required by the GEM Listing Rules for the minimum percentage of Shares being held by the public as per Rule 11.23 of the GEM Listing Rules) of the issued Shares of the Company at the time in compliance with the GEM Listing Rules (the “<b>Conversion Restriction(s)</b>”).</p> |
| Redemption at maturity:  | <p>Unless previously converted or purchased and cancelled as provided in the CB Instrument, the Company shall redeem each Convertible Bond which remains outstanding on the Maturity Date at 100% of the principal amount of such Convertible Bonds.</p>  |
| Early redemption:        | <p>The Company may at any time before the Maturity Date and from time to time by serving at least ten days’ prior written notice on the Bondholder with the total amount proposed to be redeemed from the Bondholder specified therein, redeem the Convertible Bonds (in whole or in part) at 100% of the principal amount of such Convertible Bonds.</p>   |
| Voting:                  | <p>The Bondholder shall not be entitled to attend or vote at any general meeting of the Company by reason only it being the Bondholder.</p>   |

## LETTER FROM THE BOARD

- Transferability: The Bondholder may assign or transfer the Convertible Bonds to the transferee subject to the prior notification to the Company. The Convertible Bonds may not be assigned or transferred, in whole or in part, to any connected person of the Company without prior written consent of the Company. The Convertible Bonds may be assigned or transferred in whole or in part (provided that the principal amount to be assigned or transferred shall be at least HK\$5,000,000 and in integral multiples of HK\$5,000,000 unless the outstanding principal amount of the Convertible Bonds is less than HK\$5,000,000 in which case the whole (but not part only) of that amount may be assigned and transferred) of its outstanding principal amount and the Company shall facilitate any such assignment or transfer of the Convertible Bonds, including making any necessary applications to the Stock Exchange for the said approval (if required).
- Ranking: The Convertible Bonds constitute direct, unconditional unsubordinated and unsecured obligations of the Company and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Company under the Convertible Bonds shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

## LETTER FROM THE BOARD

### Mandate to issue the Conversion Shares

The Conversion Shares will be allotted and issued pursuant to the CB Specific Mandate to be sought from the Shareholders at the EGM.

### Application for listing

Application will be made by the Company to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.

### EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon full conversion of the Convertible Bonds at the initial Conversion Price (assuming that there are no other changes to the shareholding structure of the Company from the Latest Practicable Date up to the full conversion of the Convertible Bonds) are as follows for illustration purposes only:

| Shareholders                   | (i) As at the Latest Practicable Date |                       | (ii) Immediately upon full conversion of the Convertible Bonds at the initial Conversion Price (assuming that there are no other changes to the shareholding structure of the Company from the Latest Practicable Date up to the full conversion of the Convertible Bonds) |                       |
|--------------------------------|---------------------------------------|-----------------------|--|-----------------------|
|                                | Number of Shares                      | Approx. %             | Number of Shares   | Approx. %             |
| <b>Substantial Shareholder</b> |                                       |                       |  |                       |
| All Favour (Note 1)            | 582,907,765                           | 24.50%                | 1,057,907,765  | 37.06%                |
| Mr. Mao Xiao Kai               | 280,000,000                           | 11.77%                | 280,000,000  | 9.81%                 |
| <b>Sub-total</b>               | <u>862,907,765</u>                    | <u>36.27%</u>         | <u>1,337,907,765</u>   | <u>46.87%</u>         |
| <b>Directors</b>               |                                       |                       |  |                       |
| Mr. Wang Chuang (Note 2)       | 25,140,000                            | 1.06%                 | 25,140,000   | 0.88%                 |
| Mr. Wu Weiliang (Note 3)       | 22,620,000                            | 0.95%                 | 22,620,000   | 0.79%                 |
| <b>Sub-total</b>               | <u>47,760,000</u>                     | <u>2.01%</u>          | <u>47,760,000</u>  | <u>1.67%</u>          |
| <b>Public Shareholders</b>     | <u>1,468,621,735</u>                  | <u>61.72%</u>         | <u>1,468,621,735</u>   | <u>51.46%</u>         |
| <b>Total</b>                   | <u><u>2,379,289,500</u></u>           | <u><u>100.00%</u></u> | <u><u>2,854,289,500</u></u>  | <u><u>100.00%</u></u> |

## LETTER FROM THE BOARD

*Notes:*

1. All Favour is beneficially owned as to (i) 40% by Nat-Ace Wood Industry Ltd. which is ultimately and wholly-owned by Mr. Xu; (ii) 20% by Honour Top Holdings Limited which is ultimately and wholly-owned by Mr. Dai; and (iii) 40% by Mr. Dai. Moreover, All Favour has interests in 582,907,765 Shares. Hence, Mr. Dai, Mr. Xu and Nat-Ace Wood Industry Ltd. are deemed to be interested in 582,907,765 Shares.
2. Mr. Wang Chuang beneficially owns 25,140,000 Shares. Mr. Wang is an executive Director, the chairman and the chief executive officer of the Company.
3. Mr. Wu Weiliang beneficially owns 22,620,000 Shares. Mr. Wu is a non-executive Director.
4. This is for illustrative purpose only and conversion of the Convertible Bonds is subject to the Conversion Restriction that no conversion shall trigger mandatory offer obligations under the Takeovers Code.

### EQUITY FUND RAISING ACTIVITIES DURING THE PAST TWELVE MONTHS

The Company has conducted the following equity fund raising activities during the past twelve months immediately preceding the Latest Practicable Date:

| Date of initial<br>Announcement | Description   | Net proceeds                  | Intended use of proceeds   | Actual use of<br>net proceeds                     |
|---------------------------------|---|-------------------------------|--|---|
| 27 November 2019                | Proposed open offer of not less than 1,758,579,000 offer shares and not more than 1,771,134,200 offer shares on the basis of two (2) offer shares for every one (1) share held on the record date | Approximately HK\$349 million | (i) approximately HK\$150 million for repayment of the outstanding liabilities of the Group; and<br>(ii) approximately HK\$199 million as general working capital of the Group | The open offer was terminated on 18 February 2020 |

## LETTER FROM THE BOARD

| Date of initial Announcement | Description  | Net proceeds  | Intended use of proceeds   | Actual use of net proceeds   |
|------------------------------|--|---|--|--|
| 2 March 2020                 | Placing of 500,000,000 new Shares under specific mandate | Approximately HK\$98 million  | (i) approximately HK\$30.0 million for repayment of accrued charges and other payables;<br>(ii) approximately HK\$30.0 million for staff costs;<br>(iii) approximately HK\$5.0 million for rent and rates;<br>(iv) approximately HK\$5.0 million for utilities and other expenses;<br>(v) approximately HK\$9.0 million for professional fees and corporate expenses; and<br>(vi) approximately HK\$19.0 million for advertising, marketing and promotion expenses | Utilised as intended   |
| 2 March 2020                 | Issue of convertible bonds under specific mandate        | No cash proceeds would be received by the Company (Maximum aggregate nominal value of the conversion Shares is HK\$120 million) | Settlement of shareholder's loan due by the Company to the Subscriber  | No actual fund was raised and the subscription money of the convertible bonds were set off by the loan due to the Subscriber     |
| 28 August 2020               | Issue of new shares under general mandate                | No cash proceeds would be received by the Company (The aggregate nominal value of the subscription Shares is HK\$34 million)    | Settlement of accounts payable to service providers  | No actual fund was raised and the subscription money of the Shares were set off by the accounts payable due to service providers |



## LETTER FROM THE BOARD

| Date of initial Announcement | Description                               | Net proceeds   | Intended use of proceeds                            | Actual use of net proceeds   |
|------------------------------|---|--|---|--|
| 8 October 2020               | Issue of new shares under general mandate | No cash proceeds would be received by the Company (The aggregate nominal value of the subscription Shares is HK\$46 million) | Settlement of accounts payable to service providers | No actual fund was raised and the subscription money of the Shares were set off by the accounts payable due to service providers |

Save as disclosed above, the Company has not conducted any equity fund raising activities during the past 12 months immediately preceding the Latest Practicable Date.

### INFORMATION OF THE SUBSCRIBER AND ITS ULTIMATE BENEFICIAL OWNERS

The Subscriber is a company incorporated in the British Virgin Islands with limited liabilities and principally engaged in investment holding. The Subscriber is beneficially owned as to (i) 40% by Nat-Ace Wood Industry Ltd. which is ultimately and wholly-owned by Mr. Xu; (ii) 20% by Honour Top Holdings Limited which is ultimately and wholly-owned by Mr. Dai; and (iii) 40% by Mr. Dai.

Mr. Dai is a former executive Director until his resignation with effect from 30 April 2016. According to the disclosure of interest form filed by Mr. Xu on 23 January 2020, Mr. Xu acquired the entire share capital of Nat-Ace Wood Industry Ltd. on 22 January 2020. To the best of the Director's knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, each of Mr. Dai and Mr. Xu is a passive investor of the Company.

### REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Company is an investment holding company. The principal activities of its subsidiaries are research and development of bio-medical products; production and sale of tissue engineering and stem cell products; sale and distribution of cosmetic and other products; and provision of healthcare services.

Pursuant to the Shareholder's Loan Agreement, the Shareholder's Loan is interest-free, without security and will fall due on the third anniversary from the date of the Shareholder's Loan Agreement, which is 20 December 2020. Such Shareholder's Loan was provided to the Company for payment of non-refundable deposit to a potential vendor (the "**Potential Vendor**") of certain target assets (the "**Target Assets**") in 2017. For details of such proposed acquisition (the "**Proposed Acquisition**") of the Target Assets, please refer to the announcement of the Company dated 10 December 2017. The Directors recently reviewed the financial position of

## LETTER FROM THE BOARD

the Company, and decided that it would not be feasible for the Company to proceed with the Proposed Acquisition and the Company requested (the “**Request**”) All Favour to be nominated as purchaser to acquire the Target Assets in the Company’s stead (the “**Nomination Arrangement**”) pursuant to a deed of undertaking (the “**Undertaking**”) executed by the Subscriber on 21 December 2017. The Request was rejected by All Favour and All Favour requested for the repayment of the Shareholder’s Loan by 20 December 2020.

As part of the efforts by the Company to assess the legal position, the Company has obtained an independent legal counsel advice (the “**Legal Advice**”) which indicated that the Company would not be able to compel the Subscriber to accept the nomination and the Company’s liabilities to repay the Shareholder’s Loan could not be discharged by reason of the following bases:

Pursuant to the terms of the framework agreement (the “**Framework Agreement**”) entered by the Company with the Potential Vendor on 10 December 2017 in relation to the Proposed Acquisition, the Framework Agreement would be terminated upon (a) the expiry of the exclusivity period (the “**Exclusivity Period**”) of 6 months from the date of its execution, (b) the execution of the definitive agreement in writing in relation to the Proposed Acquisition (the “**Formal Agreement**”), or (c) mutual agreement between the Potential Vendor and the Company, whichever the earliest. According to the Legal Advice, as no Formal Agreement had been executed within the Exclusivity Period nor did the Potential Vendor agreed to terminate the Framework Agreement, the Framework Agreement would have been terminated on or about 10 June 2018 upon the expiry of the Exclusivity Period. As the Request was made by the Company after the expiry of the Exclusivity Period i.e. after the termination of the Framework Agreement, according to the Legal Advice, the Company cannot impose an obligation on the Potential Vendor to proceed with the Proposed Acquisition and/or the Nomination Arrangement with the Subscriber in its stead by reason of the principle that a contract binds only the parties to it.

The Legal Advice further explained that the nomination can only be made within the Exclusivity Period as the underlying objective thereof would be the performance of the Proposed Acquisition which is contemplated to be completed within the Exclusivity Period. The Nomination Arrangement was a condition precedent to discharge the Company’s repayment obligation under the Undertaking and in the premises, the Company cannot discharge its repayment obligations of the Shareholder’s Loan by purportedly making the Nomination Arrangement after the expiry of the Exclusivity Period. The Legal Advice also provides that as the Company has paid the non-refundable deposit under the Framework Agreement and there being no other party having agreed and contracted with the Potential Vendor to take over in place of the Company on purchasing the Target Assets, the Company cannot exit from the Proposed Acquisition and rely on the provisions of the Undertaking to be discharged of its repayment obligations.

## LETTER FROM THE BOARD

After negotiation and assessment of the Company's position, the Company and All Favour agreed that the Shareholder's Loan shall be settled in full by the Company issuing the Convertible Bonds in the principal amount of HK\$95 million representing a discount of 5% to the Subscription Price and upon Completion the liability of the Company under the Shareholder's Loan in the amount of HK\$100 million shall be settled and discharged absolutely. Such discount is meant to compensate the Company for the early settlement of the Shareholder's Loan. Upon Completion, the deposits for the Proposed Acquisition of HK\$100 million will also be impaired accordingly. Since the Shareholder's Loan will fall due by 20 December 2020 and by the parties agreeing to settle the Shareholder's Loan about 2 months earlier instead of the original 36-month term, the Company proposed that a slight discount on the face value of the Convertible Bonds would be proportional to such earlier settlement, which upon arm's length commercial negotiation, All Favour agreed. The Directors consider that the Subscription allows the Company to discharge its obligations of repayment of the Shareholder's Loan before its foreseeable breach upon it falling due and the terms of the Convertible Bonds would provide more flexibility in relieving the cashflow pressure of the Company since the maturity would effectively be extended with the issue of the Convertible Bonds and it is also possible for the liability of the Company thereunder being eliminated by conversion and issue of the Conversion Shares.

No cash proceeds will be received by the Company from the issue of the Convertible Bonds. The issuance of the Convertibles Bonds would settle the Shareholder's Loan. Under the terms of the Convertible Bonds, the Company may request for early redemption subject to terms and conditions of the Convertible Bonds, while such right is not provided to the Bondholder. The rights of conversion given under the Convertible Bonds may also help to ease the cashflow pressure of the Company in case the Subscriber or any holders thereof are willing to exercise the Conversion Rights. As such, it provides more flexibility to the Company in its future cash management, and may be able to strengthen the capital base of the Company.

The Board has considered the potential dilution impact on the shareholding interests of the other Shareholders upon conversion of the Convertible Bonds. As set out in the table under the section headed "Effect on the shareholding structure of the Company" in this circular above, the Board noted that the shareholding interests of the public Shareholders would be diluted from approximately 61.72% to approximately 51.46% of the enlarged issued share capital of the Company immediately upon full conversion of the Convertible Bonds (assuming there are no other changes to the shareholding structure of the Company from the Latest Practicable Date up to the full conversion of the Convertible Bonds).

However, the Board is also aware that any fund raising activities by way of issuing securities of the Company will cause potential dilution impact to the shareholding of the existing Shareholders. For other equity financing method such as placing, rights issue or open offer, the Company will need to undergo a relatively lengthy process in order to identify suitable underwriter(s) and would incur more transaction costs including but not limited to placing or underwriting commission. Moreover, taking into account the prevailing uncertain economic environment and the recent market performance, the Board considered that the Company would have difficulties in raising funds by means of other equity fund raising.

## LETTER FROM THE BOARD

The Company has also considered debt financing as fund raising alternatives apart from the Subscription. However, the Directors considered that debt financing may incur interest burden on the Group and may be subject to lengthy due diligence and negotiations with the banks with reference to the Group's financial position and the then financial market condition and it may be relatively uncertain and time-consuming.

Having considered that (i) the Subscription can be conducted within a relatively shorter time frame and/or at lower costs when compared with other means of fundraising; (ii) the issue of the Convertible Bonds would not result in immediate dilution effect on shareholdings; and (iii) the aforementioned reasons for the Subscription and the financial positions of the Group, the Directors (including the independent non-executive Directors after taking into consideration of the advice from Gram Capital) consider that the terms and conditions of the Subscription and Settlement Agreement and the Convertible Bonds are fair and reasonable based on the current market conditions and are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. None of the Directors had any interest in the Subscription and was required to abstain from voting on the board resolutions to approve the Subscription and Settlement Agreement.

Up to the Latest Practicable Date, the Company (a) does not have any concrete plan for further fund raising activities in the foreseeable future; and (b) is not contemplating any material transactions for the forthcoming twelve months. However, the Company may need to raise further funding mainly for marketing and promotion of its products when needed. The Company may, base on its business development needs or situations, consider fund raising activities, acquisitions, disposals or other matters in the future. The Company will make further announcement and comply with the relevant GEM Listing Rules as and when appropriate.

### GEM LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the Subscriber is a substantial Shareholder holding 582,907,765 Shares, representing approximately 24.50% of the issued share capital of the Company. Accordingly, the Subscriber is a connected person of the Company under Chapter 20 of the GEM Listing Rules, and the Subscription constitutes a connected transaction on the part of the Company and is subject to the announcement, circular, reporting and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

**Completion is subject to the fulfillment and/or waiver (as the case maybe) of the conditions precedent under the Subscription and Settlement Agreement. As the Subscription may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

## LETTER FROM THE BOARD

### (II) PROPOSED APPOINTMENT OF AUDITORS

As disclosed in the announcement of the Company dated 12 November 2020, the resolution in respect of the re-appointment of BDO as auditors of the Company was not passed at the AGM and the office of the Company's auditors became vacant with effect from the conclusion of the AGM.

After careful consideration, the Board, with the recommendation of the audit committee of the Company, has resolved to propose the appointment of McM as auditors of the Company and its subsidiaries at the EGM to fill the vacancy arising from the non-appointment of BDO and to hold office until the conclusion of the next annual general meeting of the Company, subject to the approval by the Shareholders at the EGM.

#### EGM

The EGM will be held at Rooms 3006-10, 30/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, on Monday, 7 December 2020 at 2:30 p.m. for the Independent Shareholders to consider and, if thought fit, to approve the Subscription and Settlement Agreement and the transactions contemplated thereunder (including the grant of the CB Specific Mandate for the allotment and issue of the Conversion Shares) and for the Shareholders to consider and, if thought fit, to approve the proposed appointment of McM as the new auditors of the Company by way of poll.

The notice of the EGM is set out on pages EGM-1 to EGM-3 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Union Registrars Limited of Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the terms of the Subscription and Settlement Agreement and the transactions contemplated thereunder are (i) fair and reasonable; (ii) on normal commercial terms or better and in the ordinary and usual course of business of the Group; (iii) in the interests of the Company and the Independent Shareholders as a whole; and (iv) on how to vote. The Company has appointed Gram Capital to advise the Independent Board Committee and the Independent Shareholders in the same regard.

## LETTER FROM THE BOARD

The Subscriber and parties acting in concert with it and their respective associates which have material interest in the Subscription and Settlement Agreement and the transactions contemplated thereunder are required to abstain from voting on the resolution to approve the Subscription and Settlement Agreement and the transactions contemplated thereunder at the EGM. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as disclosed above, no other Shareholder has a material interest in the Subscription and shall be required to abstain from voting at the EGM in respect of the resolution to approve the Subscription and Settlement Agreement and the transactions contemplated thereunder.

### RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 29 to 30 of this circular which contains its recommendation to the Independent Shareholders in relation to Subscription and Settlement Agreement and the transactions contemplated thereunder, and the letter from Gram Capital set out on pages 31 to 43 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in this regard.

The Directors (including the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee in this circular) consider that the terms of the Subscription and Settlement Agreement and the transactions contemplated thereunder (including the Subscription and the granting of the CB Specific Mandate for the allotment and issue of the Conversion Shares) are on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the proposed resolution in relation to the Subscription and Settlement Agreement and transactions contemplated thereunder at the EGM.

The Directors consider that the proposed appointment of McM as the new auditors of the Company is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the proposed resolution in relation to the appointment of McM as the auditors of the Company at the EGM.

|                              |
|------------------------------|
| <b>LETTER FROM THE BOARD</b> |
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**ADDITIONAL INFORMATION**

Your attention is drawn to the additional information set out in Appendix I to this circular.

Yours faithfully

For and on behalf of the Board of

**China Regenerative Medicine International Limited**

**Wang Chuang**

*Chairman, Chief Executive Officer and Executive Director*



## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

*The following is the text of the letter from the Independent Board Committee setting out its recommendations to the Independent Shareholders in relation to the Subscription and Settlement Agreement and the transactions contemplated thereunder.*



### **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)**

20 November 2020

*To the Independent Shareholders,*

Dear Sir or Madam,

#### **CONNECTED TRANSACTION – ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE**

We refer to the circular of the Company dated 20 November 2020 (the “**Circular**”), of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed by the Board to form the Independent Board Committee to advise the Independent Shareholders as to whether the Subscription and Settlement Agreement and the transactions contemplated thereunder (including the grant of the CB Specific Mandate for the allotment and issue of the Conversion Shares) are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and the transactions contemplated thereunder are in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders how to vote in relation to the ordinary resolution to approve the Subscription and Settlement Agreement and the transactions contemplated thereunder to be proposed at the EGM. Details of the Subscription and Settlement Agreement and the transactions contemplated thereunder (including the grant of the CB Specific Mandate for the allotment and issue of the Conversion Shares) are set out in the “Letter from the Board” contained in the Circular. Gram Capital, being the Independent Financial Adviser, has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard. Details of its advice, together with the principal factors and reasons it has taken into consideration in arriving such advice, are contained in its letter set out on pages 31 to 43 of the Circular. Your attention is also drawn to the letter from the Board.



## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

### RECOMMENDATION

Having considered the terms of the Subscription and Settlement Agreement and the transactions contemplated thereunder (including the grant of the CB Specific Mandate for the allotment and issue of the Conversion Shares) and the advice and recommendation of Gram Capital as contained in its letter set out on pages 31 to 43 of the Circular, we consider that the Subscription and Settlement Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and although the Subscription and Settlement Agreement is not in the ordinary and usual course of business of the Group, the transactions contemplated thereunder (including the allotment and issue of the Conversion Shares) are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution to approve the Subscription and Settlement Agreement and the transactions contemplated thereunder (including the grant of the CB Specific Mandate for the allotment and issue of the Conversion Shares) to be proposed at the EGM.

Yours faithfully  
For and on behalf of  
Independent Board Committee  
**Fang Jun**  
**Huo Chunyu**  
**Yang Ying**  
*Independent non-executive Directors*

## LETTER FROM GRAM CAPITAL

*Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription for the purpose of inclusion in this circular.*



Room 1209, 12/F.  
Nan Fung Tower  
88 Connaught Road Central/  
173 Des Voeux Road Central  
Hong Kong

20 November 2020

*To: The independent board committee and the independent shareholders  
of China Regenerative Medicine International Limited*

Dear Sir/Madam,

### CONNECTED TRANSACTION IN RELATION TO ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

#### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 20 November 2020 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 20 October 2020 (after trading hours), the Company entered into the Subscription and Settlement Agreement with the Subscriber, pursuant to which the Company conditionally agreed to issue, and the Subscriber conditionally agreed to subscribe for or procure the Subscription by its nominee(s) of, the Convertible Bonds in the principal amount of HK\$95 million, and the Subscriber shall pay the Subscription Price of HK\$100 million upon Completion by setting off against the Shareholder’s Loan.

With reference to the Board Letter, the Subscription constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules and is subject to Independent Shareholders’ approval at the EGM.

The Independent Board Committee comprising Dr. Fang Jun, Ms. Huo Chunyu and Ms. Yang Ying (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Subscription are on normal commercial terms and are fair and reasonable; (ii) whether the Subscription is in the interests of the Company and the Shareholders as a whole; and (iii) how to vote in relation to the Subscription at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

## **INDEPENDENCE**

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as independent financial adviser in relation to (i) the open offer set out under the Company's circular dated 27 December 2019; (ii) the connected transaction set out under the Company's circular dated 27 March 2020; and (iii) the no adjustment confirmation on the Company's share options as a result of the Company's capital reorganisation set out under the Company's circular dated 18 September 2020. As the aforesaid engagements were independent financial adviser engagements, they do not affect our independence to act as the Independent Financial Adviser.

Notwithstanding the aforesaid engagements, we were not aware of any relationships or interests between Gram Capital and the Company, or any other parties during the past two years immediately preceding the Latest Practicable Date that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

## **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Subscription. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 17.92 of the GEM Listing Rules.

The Circular, 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 the Circular 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 therein or the Circular misleading.

## LETTER FROM GRAM CAPITAL

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Subscriber or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Subscription. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Subscription, we have taken into consideration the following principal factors and reasons:

#### **Information on the Group**

With reference to in the Board Letter, the Company is an investment holding company. The principal activities of its subsidiaries are research and development of bio-medical products; production and sale of tissue engineering and stem cell products; sale and distribution of cosmetic and other products; and provision of healthcare services.

Set out below are the consolidated financial information of the Group for the six months ended 30 June 2020 and the two years ended 31 December 2019 as extracted from the Company's interim report for the six months ended 30 June 2020 (the **"2020 Interim Report"**) and the Company's annual report for the year ended 31 December 2019 (the **"2019 Annual Report"**), respectively:

## LETTER FROM GRAM CAPITAL

|                   | <b>For the<br/>year ended<br/>31 December<br/>2019<br/>(audited)<br/>HK\$'000</b> | <b>For the<br/>year ended<br/>31 December<br/>2018<br/>(audited)<br/>HK\$'000</b> | <b>Change from<br/>2018 to 2019<br/>%</b> |
|-------------------|---|---|---|
| Revenue           | 47,971  | 72,952  | (34.24)                                   |
| Gross profit      | 28,919  | 27,006  | 7.08                                      |
| Loss for the year | (447,743)   | (1,283,915)   | (65.13)                                   |

|                     | <b>For the<br/>six months<br/>ended<br/>30 June 2020<br/>(unaudited)<br/>HK\$'000</b> | <b>For the<br/>six months<br/>ended<br/>30 June 2019<br/>(unaudited)<br/>HK\$'000</b> | <b>Change from<br/>2019 to 2020<br/>%</b> |
|---------------------|---|---|---|
| Revenue             | 68,924  | 22,361  | 208.23                                    |
| Gross profit        | 53,329  | 9,781   | 445.23                                    |
| Loss for the period | (177,754)   | (75,444)  | 135.61                                    |

As illustrated by the table above, the Group's revenue for the year ended 31 December 2019 ("FY2019") decreased by approximately 34.24% as compared to that for the year ended 31 December 2018 ("FY2018"). With reference to the 2019 Annual Report and as confirmed by the Directors, the decrease of the Group's revenue in FY2019 was mainly due to: (i) that the Group focused to manage the credit risk of cosmetics products and others; (ii) change in the distribution strategy of ophthalmology products during FY2019, which affected the production and sales in various markets; and (iii) reduction of less profitable medical equipment trading business.

Despite the decrease in the Group's revenue in FY2019, the Group's gross profit increased by approximately 7.08% as compared to that for FY2018. As advised by the Directors, such improvement was mainly due to increase in gross profit margin as the Group focused its effort on business of higher margin.

Furthermore, with reference to the 2019 Annual Report, the Group's loss for FY2019 decreased as compared to that of FY2018, which was mainly attributable to the corresponding (i) decrease in expected credit loss on trade receivables; (ii) decrease in impairment loss of property, plant and equipment, goodwill, intangible assets and right-of-use assets; and (iii) decrease in the fair value loss on financial assets of fair value through profit or loss.

## LETTER FROM GRAM CAPITAL

As illustrated by the table above, the Group's revenue and gross profit for the six months ended 30 June 2020 increased by approximately 208.23% and 445.23% respectively as compared to those for the corresponding period in 2019. With reference to the 2020 Interim Report, the aforesaid significant improvement in the Group's revenue and gross profit were mainly attributable to (i) increase in revenue in healthcare products and services segment as a result of extension of sales network in the PRC; and (ii) that the Group focused its effort on business of higher margin.

Despite the aforesaid improvement in the Group's gross profit, the Group's loss for the six months ended 30 June 2020 increased by approximately 135.61% as compared to that for the corresponding period in 2019. With reference to the 2020 Interim Report, such increase was mainly attributable to (i) increase in selling and distribution expenses caused by increase in meticulous effort to boost revenue; and (ii) increase in administrative and other expenses caused by increase in staff costs and lease expenses.

With reference to the 2020 Interim Report, the Group continues to strive for opportunity to widen its business scope in the medicine industries and reallocate its resources when appropriate, to strengthen and maintain as one of the leading pioneers in the medical and related industries. The PRC government has committed to provide support towards hi-tech industries, including regenerative medicine, a sub-division of the bio-medical industries. The Group will continuously strive for more assistance from the PRC government to provide additional resources for broadening its research and development coverage in regenerative medicine and related medical device spectrum. Stem cell therapy and research and development of stem cell pharmaceutical products, precision disease detection and prevention in massive health as well as precision treatment have continued to develop.

### **Reasons for the Subscription**

With reference to the Board Letter, pursuant to the Shareholder's Loan Agreement, the Shareholder's Loan is interest-free, without security and will fall due on the third anniversary from the date of the Shareholder's Loan Agreement, which is 20 December 2020. Such Shareholder's Loan was provided to the Company for payment of non-refundable deposit to the Potential Vendor of the Target Assets in 2017. The Directors reviewed the financial position of the Company, and decided that it would not be feasible for the Company to proceed with the Proposed Acquisition and the Company requested All Favour to be nominated as purchaser to acquire the Target Assets in the Company's stead pursuant to the Undertaking executed by the Subscriber on 21 December 2017. The Request was rejected by All Favour and All Favour requested for the repayment of the Shareholder's Loan by 20 December 2020. As part of the efforts by the Company to assess the legal position, the Company obtained an independent legal counsel advice which indicated that the Company would not be able to compel the Subscriber to accept the nomination and the Company's liabilities to repay the Shareholder's Loan could not be discharged by reasons set out under the section headed "REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS" in the Board Letter.

## LETTER FROM GRAM CAPITAL

After negotiation and assessment of the Company's position, the Company and All Favour agreed that the Shareholder's Loan shall be settled in full by the Company issuing the Convertible Bonds in the principal amount of HK\$95 million representing a discount of 5% to the Subscription Price and upon Completion the liability of the Company under the Shareholder's loan in the amount of HK\$100 million shall be settled and discharged absolutely. Such discount is meant to compensate the Company for the early settlement of the Shareholder's Loan.

No cash proceeds will be received by the Company from the issue of the Convertible Bonds. The issuance of the Convertible Bonds would settle the Shareholder's Loan. Under the terms of the Convertible Bonds, the Company may request for early redemption subject to terms and conditions of the Convertible Bonds, while such right is not provided to the Bondholder. The rights of conversion given under the Convertible Bonds may also help to ease the cash flow pressure of the Company in case the Subscriber or any holders thereof are willing to exercise the Conversion Rights. As such, it provides more flexibility to the Company in its future cash management, and may be able to strengthen the capital base and reduce the liability of the Company, and thus improve the financial position of the Company.

With reference to the 2020 Interim Report, the Group incurred a loss attributable to owners of the Company of approximately HK\$163.73 million for the six months ended 30 June 2020 and based upon the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2020, the Group had net assets of approximately HK\$13.8 million as at 30 June 2020. This situation indicated the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business. In addition, the Group only had cash and bank balances of approximately HK\$28.49 million as at 30 June 2020. We consider that it is reasonable for the Company to settle the Shareholder's Loan by issuance of the Convertible Bonds.

Upon our enquiry, the Directors advised us that the Company considered (i) placing/issue of new Shares; (ii) open offer/rights issue; and (iii) other debt financing as fund raising alternatives in comparison to the Subscription for the Shareholder's Loan settlement.

In respect of placing/issue of new Shares, the Company considered that under the current market sentiment, it is difficult to procure (i) placing agent(s) to conduct placing/investor(s) to subscribe for new Shares; or (ii) Shareholders to subscribe for offer shares or rights shares/underwriter(s) to conduct underwriting for an open offer or a rights issue exercise, for the purpose of repaying the Shareholder's Loan.

In respect of other debt financing, the Company considered that it will increase the Company's finance costs.

Given the above, we concur with the Directors that the Subscription is an appropriate mean to settle the Shareholder's Loan.

Taking into account the above, we consider that although the Subscription is not conducted under the ordinary and usual course of business of the Company, the Subscription is in the interests of the Company and the Shareholders as a whole.



## LETTER FROM GRAM CAPITAL

### Principal terms of the Subscription

On 20 October 2020 (after trading hours), the Company entered into the Subscription and Settlement Agreement with the Subscriber, pursuant to which the Company conditionally agrees to issue and the Subscriber conditionally agrees to subscribe for or procure the subscription by its nominee(s) of the Convertible Bonds in the principal amount of HK\$95 million at its face value and pay the Subscription Price upon completion by setting off against the Shareholder's Loan.

Set out below are the principal terms of the Convertible Bonds as extracted from the Board Letter:

|                   |  |
|-------------------|--|
| Principal amount: | HK\$95 million   |
| Interest rate:    | The Convertible Bonds bear no interest.  |
| Maturity date:    | Being the date of the third anniversary after the first issue of the Convertible Bonds (or, if that is not a Business Day, the first Business Day thereafter).   |
| Early redemption: | The Company may at any time before the Maturity Date and from time to time by serving at least ten days' prior written notice on the Bondholder with the total amount proposed to be redeemed from the Bondholder specified therein, redeem the Convertible Bonds (in whole or in part) at 100% of the principal amount of such Convertible Bonds. |
| Conversion Price: | The Conversion Price is initially HK\$0.20 per Conversion Share, subject to adjustment as set out under the sub-section headed "Principal terms of the Convertible Bonds" of the Board Letter.   |

With reference to the Board Letter, the initial Conversion Price of HK\$0.20 per Conversion Share represents:

- (i) a discount of approximately 6.98% to the closing price of HK\$0.215 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 1.48% to the closing price of HK\$0.203 per Share as quoted on the Stock Exchange on the date of the Subscription and Settlement Agreement (the "**Agreement Date**") (the "**Agreement Date Discount**"); and
- (iii) a premium of approximately 0.50% over the average closing prices of HK\$0.199 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription and Settlement Agreement (the "**Last 5 Days Premium**").

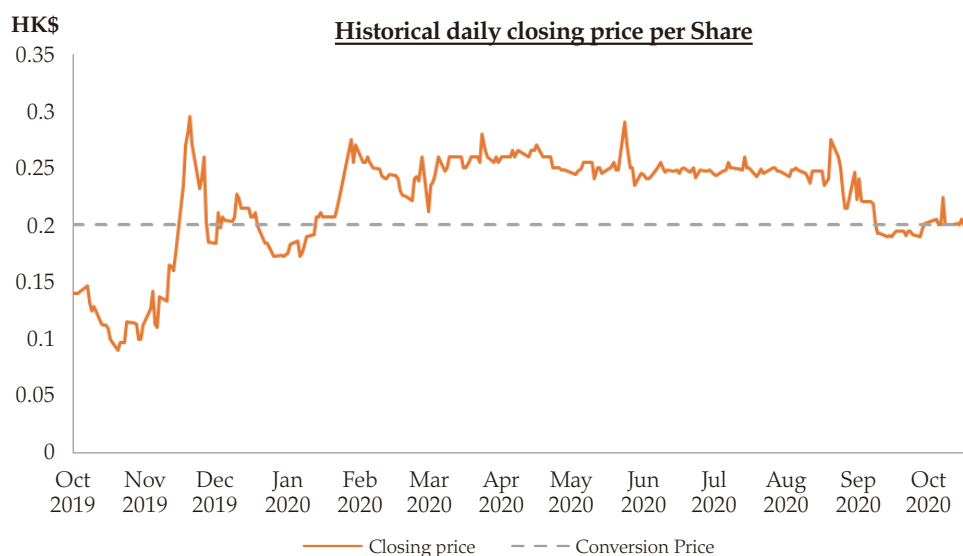


## LETTER FROM GRAM CAPITAL

With reference to the Board Letter, the Conversion Price was arrived at after arm's length negotiations between the Parties, taking into account of, among others, the recent trading performance of the Shares and the financial position of the Group.

### *Share price performance*

In order to assess the fairness and reasonableness of the Conversion Price, we reviewed the daily closing price of the Shares as quoted on the Stock Exchange from 2 October 2019 up to and including the Agreement Date (the "**Review Period**"), being a period of approximately one year up to and including the Agreement Date. An one-year review period is commonly adopted for share price assessment and we consider the Review Period to be fair and reasonable. The comparison of daily closing prices of the Shares and the Conversion Price is illustrated as follows:



*Source: The Stock Exchange's website*

During the Review Period, the lowest and highest closing prices of the Shares as quoted on the Stock Exchange were HK\$0.09 recorded on 21 October 2019 and HK\$0.295 recorded on 21 November 2019 respectively. The Conversion Price of HK\$0.20 is within the range of the lowest and highest closing prices of Shares during the Review Period.

As illustrated in the above diagram, the closing price of Shares increased substantially from mid-October 2019 to mid-November 2019. The closing price of Shares dropped thereafter and rebounded from late-December 2019 to early-February 2020. The closing price of Shares fluctuated between HK\$0.212 and HK\$0.29 from February 2020 to August 2020 and dropped from HK\$0.275 on 21 August 2020 to HK\$0.203 on the Agreement Date (i.e. 20 October 2020).

# LETTER FROM GRAM CAPITAL

## *Liquidity*

Set out below are (i) the number of trading days; (ii) the percentage of the Shares' average daily trading volume (the "**Average Volume**") as compared to the total number of issued Shares held by the public as at the Agreement Date; and (iii) the percentage of the Average Volume as compared to the total number of issued the Shares as at the Agreement Date, during the Review Period:

| Month  | No. of trading days in each month | % of the Average Volume to total number of issued Shares held by the public as at the Agreement Date % | % of the Average Volume to total number of issued Shares as at the Agreement Date % |
|--|-----------------------------------|--|---|
| <b>2019</b>                                      |                                   |  |   |
| October  | 21                                | 0.08   | 0.05  |
| November   | 21                                | 0.48   | 0.30  |
| December   | 20                                | 0.21   | 0.13  |
| <b>2020</b>                                      |                                   |  |   |
| January  | 20                                | 0.23   | 0.14  |
| February   | 20                                | 0.09   | 0.06  |
| March  | 22                                | 0.08   | 0.05  |
| April  | 19                                | 0.02   | 0.01  |
| May  | 20                                | 0.03   | 0.02  |
| June   | 21                                | 0.01   | 0.01  |
| July   | 22                                | 0.06   | 0.03  |
| August   | 21                                | 0.42   | 0.26  |
| September  | 22                                | 0.02   | 0.01  |
| October (up to and including the Agreement Date) | 11                                | 0.10   | 0.06  |

*Source: The Stock Exchange's website*

### *Notes:*

1. Based on 1,468,621,735 Shares held by the public as at the Agreement Date as disclosed under the Company's announcement dated 20 October 2020.
2. Based on 2,379,289,500 Shares as at the Agreement Date as disclosed under the Company's announcement dated 20 October 2020.

## LETTER FROM GRAM CAPITAL

We noted from the above table that the liquidity of the Shares was thin during the Review Period. The Average Volume during the Review Period was below 0.5% of (i) the total number of issued Shares held in public hands; and (ii) the total number of issued Shares, as at the Agreement Date.

Given the thin liquidity of the Shares during the Review Period, we consider that it is reasonable to set the Conversion Price at discount to promote its attractiveness.

### *Comparables*

As part of our analysis, we further identified subscription/placing of convertible bonds/notes under specific mandate (the “**CB Comparables**”) which were announced by companies listed on the Stock Exchange from 20 July 2020 up to 20 October 2020 (i.e. the Agreement Date) (being a period of three months to include sufficient comparables which demonstrate the market practices during the period close to the Agreement Date, for analysis). To the best of our knowledge and as far as we are aware of, we found 9 transactions which met the said criteria and they are exhaustive as far as we are aware of. Accordingly, we consider the CB Comparables to be fair and representative. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the subject companies of the CB Comparables and we have not conducted any independent verification with regard to the businesses and operations of such companies.

| Company name (stock code)                          | Date of announcement | Maturity<br>(Years) | Interest rate per annum<br>(%) | Premium/(discount) of the conversion price to closing price per share on the date of/the date immediately prior to the agreement in relation to the respective subscription of convertible bonds/notes | Premium/(discount) of the conversion price to average closing price per share for the last five consecutive trading days immediately prior to/and including the date of the agreement in relation to the respective subscription of convertible bonds/notes |
|--|----------------------|---------------------|--------------------------------|--|---|
|  |                      |                     |                                | (%)  | (%)   |
| Green Leader Holdings Group Limited (61)           | 22 July 2020         | 2                   | Nil                            | Nil  | Nil   |
| Value Convergence Holdings Limited (821)           | 24 July 2020         | 3                   | Nil                            | 4.31   | 4.76  |
| Changyou Alliance Group Limited (1039)             | 29 July 2020         | 3                   | 3.50                           | 7.69   | 4.74  |
| E-House (China) Enterprise Holdings Limited (2048) | 31 July 2020         | 3                   | 2.00                           | (5.04)   | 1.09  |
| Eagle Ride Investment Holdings Limited (901)       | 10 September 2020    | 1                   | 8.00                           | 23.46  | 70.45   |
| Chinese Strategic Holdings Limited (8089)          | 14 September 2020    | 1                   | 24.00                          | (14.10)  | (14.10)   |
| China Ocean Industry Group Limited (651)           | 18 September 2020    | 2                   | 10.00                          | 8.70   | 5.71  |

## LETTER FROM GRAM CAPITAL

| Company name (stock code)                | Date of announcement | Maturity<br>(Years) | Interest<br>rate per<br>annum<br>(%) | Premium/(discount) of the<br>conversion price to closing price<br>per share on the date of/the date<br>immediately prior to the<br>agreement in relation to the<br>respective subscription of<br>convertible bonds/notes<br>(%) | Premium/(discount) of the<br>conversion price to average<br>closing price per share for the last<br>five consecutive trading days<br>immediately prior to/and<br>including the date of the<br>agreement in relation to the<br>respective subscription of<br>convertible bonds/notes<br>(%) |
|--|----------------------|---------------------|--------------------------------------|---|--|
|  |                      |                     |                                      |   |  |
| Wai Chun Bio-Technology Limited (660)    | 21 September 2020    | 3                   | 4.00                                 | Nil   | (6.25)   |
| China LotSynergy Holdings Limited (1371) | 9 October 2020       | 2                   | 9.50                                 | (9.64)  | (10.07)  |
| Maximum (excluding outlier, if any)      |                      | 3.00                | 24.00                                | 23.46   | 5.71   |
| Minimum                                  |                      | 1.00                | Nil                                  | (14.10)   | (14.10)  |
| Average (excluding outlier, if any)      |                      | 2.22                | 6.78                                 | 1.71  | (1.77)   |
| The Company                              | 20 October 2020      | 3                   | Nil                                  | (1.48)  | 0.50   |

*Source: the Stock Exchange's website*

We noted from the above table that the conversion prices of the CB Comparables ranged from (i) a discount of approximately 14.10% to a premium of approximately 23.46% with average premium of approximately 1.71% to/over the respective closing prices of the shares on the date of/the date immediately prior to the agreement in relation to the respective subscription/placing of convertible bonds/notes (the “**Agreement Date Discount/Premium Market Range**”); and (ii) a discount of approximately 14.10% to a premium of approximately 5.71% with average discount of approximately 1.77% (excluding the case of Eagle Ride Investment Holdings Limited (stock code: 901) which was considered to be an outlier) to/over the respective closing prices of the shares for the last five consecutive trading days immediately prior to/and including the date of agreement in relation to the respective subscription/placing of convertible bonds/notes (the “**Last 5 Days Discount/Premium Market Range**”).

The Agreement Date Discount falls within the Agreement Date Discount/Premium Market Range and the Last 5 Days Premium falls within the Last 5 Days Discount/Premium Market Range.

## LETTER FROM GRAM CAPITAL

Having taken into account that:

- (i) the Conversion Price of HK\$0.20 is within the range of the lowest and highest closing prices of Shares during the Review Period;
- (ii) it is reasonable to set the Conversion Price at discount to promote its attractiveness given the thin liquidity of the Shares during the Review Period;
- (iii) the Agreement Date Discount falls within the Agreement Date Discount/Premium Market Range; and
- (iv) the Last 5 Days Premium falls within the Last 5 Days Discount/Premium Market Range,

we consider the Conversion Price of HK\$0.2 to be fair and reasonable.

### *Interest rate*

As shown in the table above, the interest rates of the CB Comparables ranged from nil to 24% per annum. We consider the non-interest bearing Convertible Bonds to be fair and reasonable.

For further details of the terms of the Subscription, please refer to the section headed “ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE” of the Board Letter.

Taking into account the principal terms of the Subscription (including the terms of the Convertible Bonds) as highlighted above, we consider that the terms of the Subscription are on normal commercial terms and are fair and reasonable.

### **Possible dilution effect on the shareholding interests of the public Shareholders**

With reference to the shareholding table in the section headed “EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY” of the Board Letter, the shareholding interests of the existing public Shareholders would be diluted by approximately 10.26 percentage point (the “**Dilution**”) immediately upon full conversion of the Convertible Bonds at the initial Conversion Price. The above Dilution is for illustration purpose only as the Convertible Bonds conversion is subject to restrictions stated under the sub-section headed “Principal terms of the Convertible Bonds” of the Board Letter. Taking into account (i) the aforementioned reasons for the Subscription; and (ii) the terms of the Subscription being fair and reasonable, we are of the view that the Dilution is justifiable.

## LETTER FROM GRAM CAPITAL

### RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Subscription are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) although the Subscription is not conducted under the ordinary and usual course of business of the Company, it is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Subscription and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,  
For and on behalf of  
**Gram Capital Limited**  
**Graham Lam**  
*Managing Director*

*Note:* Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

## 1. RESPONSIBILITY STATEMENT

This circular, 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 circular 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 circular misleading.

## 2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon the allotment and issue of the Conversion Shares (assuming no further issue of Shares from the Latest Practicable Date up to the Completion) was and will be as follows:

*Authorised share capital:* HK\$

|                      |                        |                      |
|----------------------|------------------------|----------------------|
| <u>5,000,000,000</u> | Shares of HK\$0.2 each | <u>1,000,000,000</u> |
|----------------------|------------------------|----------------------|

*Issued and fully paid share capital or credited as fully paid:*

|                      |  |                    |
|----------------------|--|--------------------|
| 2,379,289,500        | Shares as at the Latest Practicable Date | 475,857,900        |
| <u>475,000,000</u>   | Conversion Shares                        | <u>95,000,000</u>  |
| <u>2,854,289,500</u> | Total                                    | <u>570,857,900</u> |

All the issued Shares in the capital of the Company rank *pari passu* with each other in all respects including the rights as to voting, dividends and return of capital. The Conversion Shares when allotted and issued will rank *pari passu* in all respects with the existing Shares on the relevant date of allotment.

The issued Shares are listed on the Stock Exchange. None of the securities of the Company is listed or dealt in, and no listing or permission to deal in the securities of the Company is being or is proposed to be sought, on any other stock exchange.

As at the Latest Practicable Date, there was no arrangement under which future dividends are or will be waived or agreed to be waived.

### 3. DISCLOSURE OF INTERESTS

#### (a) Directors and chief executives

As at the Latest Practicable Date, the following Directors and chief executives of the Company had or were deemed to have interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”), (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange:

*Long position in the Shares and underlying Shares of the Company*

| Name            | Capacity and nature of interest | Number of Shares | Approximate percentage of the Company's issued share capital |
|-----------------|---------------------------------|------------------|--|
| Mr. Wang Chuang | Beneficial owner                | 25,140,000       | 1.06%  |
| Mr. Wu Weiliang | Beneficial owner                | 22,620,000       | 0.95%  |

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.



**(b) Substantial Shareholders**

As at the Latest Practicable Date, so far as known to the Directors, the following parties (not being the Directors or chief executives of the Company) had, or were deemed to have, interests or short positions in the Shares, underlying Shares or debentures of the Company (i) which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO; or (ii) which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

*Long positions in the Shares and underlying Shares of the Company*

| Name   | Capacity and nature of interest | Number of Shares | Approximate percentage of the Company's issued share capital |
|--|---------------------------------|------------------|--|
| All Favour Holdings Limited<br>(Note 2)  | Beneficial owner                | 582,907,765      | 24.50%   |
| Mr. Dai Yumin<br>(Note 2)  | Held by controlled corporation  | 582,907,765      | 24.50%   |
|  | Beneficial owner                | 875,000          | 0.04%  |
| Ms. Deng Shufen (Note 2)   | Interest of spouse              | 582,907,765      | 24.50%   |
|  | Interest of spouse              | 875,000          | 0.04%  |
| Mr. Xu Yi (Note 2)   | Held by controlled corporation  | 582,907,765      | 24.50%   |
| Mr. Mao Xiaokai  | Beneficial owner                | 280,000,000      | 11.77%   |
| China Orient Asset Management Co., Ltd<br>(Note 1)   | Held by controlled corporation  | 157,744,659      | 6.63%  |
| China Orient Alternative Investment Fund (Note 1)  | Held by controlled corporation  | 157,744,659      | 6.63%  |
| Changzhou Yaoguang Enterprise Management Consulting Limited Liability Partnership*<br>(常州市耀光企業管理諮詢合夥企業(有限合夥))<br>("Yaoguang") (Note 3) | Held by controlled corporation  | 153,500,000      | 6.45%  |

| Name   | Capacity and nature of interest | Number of Shares | Approximate percentage of the Company's issued share capital |
|--|---------------------------------|------------------|--|
| Ms. Lei Changjuan ( <i>Note 3</i> )  | Held by controlled corporation  | 153,500,000      | 6.45%  |
| Changzhou Minxing Enterprise Management Consulting Services Limited Liability Partnership* (常州市中民星空企業管理諮詢服務合夥企業 (有限合夥)) (“ <b>Minxing</b> ”) ( <i>Note 4</i> ) | Held by controlled corporation  | 139,000,000      | 5.84%  |
| Ms. Kong Yu Dong ( <i>Note 4</i> )   | Held by controlled corporation  | 139,000,000      | 5.84%  |
| Mr. Wu Yawei   | Beneficial owner                | 205,000,000      | 8.62%  |
| Mr. Wang Xiaogang  | Beneficial owner                | 209,450,000      | 8.80%  |

*Notes:*

- Based on the disclosure of interests form both filed on 20 October 2020 by China Orient Asset Management Co., Ltd (“**COAMC**”) and China Orient Alternative Investment Fund (“**COAIF**”), Optimus Prime Management Ltd. (“**Optimus**”) has a security interest in 157,744,659 Shares. Optimus is wholly owned by COAIF. COAIF is wholly owned by China Orient Asset Management (International) Holding Limited (“**COAMI**”). COAMI is owned as to (i) 50% by Wise Leader Assets Ltd. (“**Wise Leader**”) which is wholly owned by Dong Yin Development (Holdings) Limited (“**Dong Yin**”); and (ii) 50% by Dong Yin which is wholly owned by COAMC.

By virtue of the SFO, COAIF, COAMI, Wise Leader, Dong Yin and COAMC are deemed to be interested in 157,744,659 Shares held by Optimus as security interest.

2. All Favour is beneficially owned as to (i) 40% by Nat-Ace Wood Industry Ltd. which is ultimately and wholly-owned by Mr. Xu; (ii) 20% by Honour Top Holdings Limited which is ultimately and wholly-owned by Mr. Dai; and (iii) 40% by Mr. Dai. Moreover, All Favour has interests in 582,907,765 Shares. Hence, Mr. Dai, Mr. Xu and Nat-Ace Wood Industry Ltd. are deemed to be interested in 582,907,765 Shares.

On 16 September 2015, Mr. Dai was granted 17,500,000 share options by the Company under the share option scheme adopted by the Company on 14 September 2011 entitling him to subscribe for 17,500,000 Shares at the exercise price of HK\$0.45 per Share, subject to the terms and conditions of the share option scheme of the Company. The number of Shares to be issued upon full exercise of the said share options and the exercise price per Share were adjusted to 875,000 Shares and HK\$9.00 per Share with effect from 16 May 2019 as a result of the share consolidation of the Company, details of which were disclosed in the announcement of the Company dated 15 May 2019. Assuming the share options granted to Mr. Dai has been exercised in full, Mr. Dai shall hold an aggregate of 875,000 Shares as beneficial owner. By virtue of the SFO, Mr. Dai, together with his deemed interests in All Favour, was deemed to be interested in an aggregate of 583,782,765 shares of the Company. All Favour has pledged its interests in 157,744,659 Shares in favour of Optimus Prime Management Ltd.

Ms. Deng Shufen is the spouse of Mr. Dai Yumin. By virtue of the SFO, Ms. Deng Shufen is deemed to be interested in the same number of Shares in which Mr. Dai Yumin is interested or is deemed to be interested.

3. Yaoguang is a limited liability partnership established in the PRC and is managed by Ms. Lei Changjuan as the general partner and the shares were held by Yao Guang (Hong Kong) Enterprise Limited as nominee for Yaoguang. Accordingly, each of Yaoguang and Ms. Lei Changjuan is deemed to be interested in 153,500,000 Shares.
4. Minxing is a limited liability partnership established in the PRC and is managed by Ms. Kong Yudong as the general partner and the shares were held by Zhong Min Starry (Hong Kong) Limited as nominee for Minxing. Accordingly, each of Minxing and Ms. Kong Yudong is deemed to be interested in 139,000,000 Shares.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware that there is any other party (other than the Directors or chief executives of the Company) who had, or was deemed to have, an interest or short position in the Shares, underlying Shares or debentures of the Company (i) which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or (ii) which were required, pursuant to section 336 of the SFO, to be entered in the register refer to therein.

#### **4. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS AND ASSETS OF THE GROUP**

As at the Latest Practicable Date, none of the Directors and their respective associates had any direct or indirect interest in the assets which had been, since 31 December 2019, being the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors and their respective associates was materially interested in any contract or arrangement which was significant in relation to the business of the Group.

#### 5. SERVICE CONTRACTS

As at the Latest Practicable Date, there is no service contract or proposed service contract between the Directors and any member of the Group which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

#### 6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position or prospects of the Group since 31 December 2019, being the date to which the latest audited consolidated financial statements of the Group were made up.

#### 7. EXPERT'S CONSENT AND QUALIFICATION

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

| Name                 | Qualification   |
|----------------------|---|
| Gram Capital Limited | A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO |

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or advice, and references to its name in the forms and context in which they respectively appear.

As at the Latest Practicable Date, the above expert did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the above expert did not have any direct or indirect interest in any assets which had been, since 31 December 2019, being the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

#### 8. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective close associates had any interest in a business which competes or may compete either directly or indirectly with the business of the Group.

**9. COMPLIANCE ADVISER**

In accordance with Rule 6A.20 of the GEM Listing Rules, the Company has appointed Octal Capital Limited (“**Octal Capital**”) as its compliance adviser, which provides advices and guidance to the Company in respect of compliance with the GEM Listing Rules including various requirements relating to Directors’ duties. As notified by Octal Capital, except for the compliance adviser agreement entered into between the Company and Octal Capital on 12 August 2019, neither Octal Capital nor its directors, employees or close associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules as at the Latest Practicable Date.

**10. MISCELLANEOUS**

- (a) The company secretary of the Company is Mr. Lee Pak Chung, who is a member of the Hong Kong Institute of Certified Public Accountants, the American Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Chinese Institute of Certified Public Accountants.
- (b) The compliance officer of the Company is Mr. Qiu Bin, who is also an executive Director of the Company.
- (c) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (d) The head office and principal place of business in Hong Kong of the Company is situated at Suite 2310-2318, Miramar Tower, 132 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong.
- (e) The principal share registrar and transfer office of the Company is Conyers Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (f) The Hong Kong branch share registrar and transfer office of the Company is Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong.
- (g) The English texts of this circular shall prevail over the Chinese texts.

**11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours (excluding Saturdays and public holidays) from 9:00 a.m. to 5:00 p.m. on any Business Day and at the head office and principal place of business in Hong Kong of the Company at Suite 2310-2318, Miramar Tower, 132 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong from the date of this Circular up to and including the date of EGM, being a period of not less than 14 days:

- (i) the memorandum and articles of association of the Company;
- (ii) the annual reports of the Company for the financial year ended 30 April 2017, for the period from 1 May 2017 to 31 December 2017, for the financial years ended 31 December 2018 and 31 December 2019 and the interim report of the Company for the six months ended 30 June 2020;
- (iii) the letter from the Board, the text of which is set out on pages 5 to 28 of this circular;
- (iv) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 29 to 30 of this circular;
- (v) the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 31 to 43 of this circular;
- (vi) the written consent referred to in the section headed “7. Expert’s consent and Qualification” in this appendix;
- (vii) the Subscription and Settlement Agreement; and
- (viii) this circular.



**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)**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of China Regenerative Medicine International Limited (the “**Company**”) will be held at Rooms 3006-10, 30/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong at 2:30 p.m. on Monday, 7 December 2020 to consider and, if thought fit, pass the following resolutions, with or without amendment, as ordinary resolutions of the Company:

**ORDINARY RESOLUTIONS**

1. “**THAT:**

- (a) the subscription and settlement agreement dated 20 October 2020 (the “**Subscription and Settlement Agreement**”) (a copy of which has been produced to the EGM and marked “A” and initialled by the chairman of the EGM for the purpose of identification) entered into between the Company as issuer and All Favour Holdings Limited as subscriber (the “**Subscriber**”) in relation to the issue of the convertible bonds in the principal amount of HK\$95,000,000 (the “**Convertible Bonds**”), which entitles the holder(s) thereof to convert the same into shares (the “**Conversion Shares**”) in the share capital of the Company in accordance with the terms of the Convertible Bonds at the initial conversion price of HK\$0.20 (subject to adjustments) per Conversion Share and the transactions contemplated thereunder (including the issue of the Convertible Bonds, allotment and issue of the Conversion Shares pursuant thereto) be and are hereby approved, confirmed and ratified;
- (b) the directors (the “**Directors**”) of the Company be and are hereby granted a specific mandate to exercise the powers of the Company to allot and issue the Conversion Shares to the relevant holder(s) of the Convertible Bond(s) in accordance with the terms of the Convertible Bonds, where such Conversion Shares shall rank equally in all respects among themselves and with all fully paid ordinary shares of the Company in issue as at the date of allotment and issue. The aforementioned specific mandate is in addition to, and shall not prejudice nor revoke any general or special mandate(s) which has/have been granted or may from time to time be granted to the Directors prior to the passing of this resolution; and

## NOTICE OF EGM

- (c) any one or more of the Directors be and is/are hereby authorised to do such acts and things, to sign and execute all such further documents (and to affix the common seal of the Company thereon, if necessary) and to take such steps as he/she/they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Subscription and Settlement Agreement or any transactions contemplated thereunder and all other matters incidental thereto or in connection therewith, and to agree to and make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith.”
2. To appoint McM (HK) CPA Limited as auditors of the Company with immediate effect and to hold office until the conclusion of the next annual general meeting of the Company and to authorise the board of Directors to fix their remuneration.

By Order of the Board  
**China Regenerative Medicine International Limited**  
**Wang Chuang**  
*Chairman, Chief Executive Officer and Executive Director*

Hong Kong, 20 November 2020

*Registered office:*  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

*Head office and principal of business  
in Hong Kong:*  
Suite 2310-2318  
Miramar Tower  
132 Nathan Road  
Tsim Sha Tsui  
Kowloon  
Hong Kong

*Notes:*

1. Any shareholder of the Company entitled to attend and vote at the above meeting may appoint one or, if he is the holder of two or more shares, more than one proxy to attend and to vote in his stead. A proxy need not be a shareholder of the Company.
2. Where there are joint registered holders of any share, the name of all joint holders should be stated. Any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the office of the Company's Hong Kong branch share registrar, Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.



## NOTICE OF EGM

4. In order to determine the entitlement of shareholders of the Company to attend and vote at the EGM, all transfers of shares accompanied by the relevant share certificates must be lodged at the Company's Hong Kong branch share registrar, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Tuesday, 1 December 2020.
5. Delivery of a form of proxy shall not preclude a member from attending and voting in person at the EGM and in such event, the form of proxy shall be deemed to be revoked.
6. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning or extreme conditions caused by super typhoon is in effect in Hong Kong any time after 11:30 a.m. on the date of the EGM, the EGM will be postponed. The Company will publish an announcement on the website of the Company at [www.crmi.hk](http://www.crmi.hk) and on the GEM website of the Stock Exchange at [www.hkgem.com](http://www.hkgem.com) to notify Shareholders of the date, time and venue of the rescheduled meeting.
7. In light of the ongoing outbreak of coronavirus ("COVID-19") and in the best interest of protecting the health of Shareholders and other attendees who will attend the EGM, special precautionary measures will be implemented by the Company, the details of which are as follows:
  - (i) All attendees are required to wear self-prepared surgical mask at all times during their attendance of the EGM;
  - (ii) All attendees are required to use hand sanitizer gel before entry and compulsory body temperature checks will be conducted before being given access to the EGM venue;
  - (iii) Seat arrangement will be given at the EGM venue to maintain an appropriate social distance and the number of attendees at the EGM will be limited according to the latest regulations announced by the government;
  - (iv) There will be no corporate gift or souvenir distributed and no refreshment will be served at the EGM; and
  - (v) Should any attendee refuse to comply with any of the abovementioned measures, the Company reserves the right to deny access of such attendee to the EGM venue.

**Shareholders are strongly encouraged to appoint the chairman of the EGM as their proxy to vote according to their indicated voting instructions as an alternative to attending the EGM in person.**

**Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement(s) on such measures as appropriate.**

*As at the date of this notice, the executive Directors are Mr. Wang Chuang (Chairman and Chief Executive Officer) and Mr. Qiu Bin; the non-executive Directors are Mr. Wu Weiliang and Mr. Tsang Ho Yin; and the independent non-executive Directors are Dr. Fang Jun, Ms. Huo Chunyu and Ms. Yang Ying.*