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China Regenerative Medicine International Limited

中國再生醫學國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8158)

SUPPLEMENTAL ANNOUNCEMENT DISCLOSEABLE TRANSACTION SUBSCRIPTION OF INCREASED REGISTERED CAPITAL IN THE TARGET COMPANY

Reference is made to the announcement of China Regenerative Medicine International Limited (the “**Company**”) dated 29 December 2023 and the supplemental announcement of the Company dated 15 January 2024 (collectively, the “**Announcements**”) in relation to the Capital Contribution in the Target Company by CRMI Health. Capitalised terms used herein shall have the same meanings as those defined in the Announcements unless the context requires otherwise.

The Board wishes to provide the Shareholders and potential investors with additional information in relation to the Capital Contribution as follows:

BASIS OF THE CONSIDERATION

The Target Company is planning to operate sales programs, through which it markets healthcare products including both its proprietary brand and other esteemed brands, in Shanghai and Jiangsu Province in the PRC. The Target Company has been seeking investors to secure new funding, aiming to advance the aforementioned sales program. The Target Company is confident in improving its sales performance, contingent upon securing new investments to expand production capacities, develop new sales channels and further the research and development of healthcare products.

The Capital Budget is formulated to support the advancement of these plans and directly corresponds to the planned utilisation of the Capital Contribution, specifically denoted as RMB10,250,000 (equivalent to approximately HK\$11,172,500). This amount aligns with the Consideration in this case. Upon Completion, CRMI Health will hold as to approximately 33.3% of the enlarged equity of the Target Company and will be the exclusive contributor of the Capital Contribution. This contribution is earmarked to fully finance the anticipated use of funds outlined within the Capital Budget.

The planned use of the Capital Contribution includes allocating:

- (i) 25% of the Capital Contribution to increase the production capacities of existing product lines;
- (ii) 25% of the Capital Contribution to advance the research and development of healthcare products;
- (iii) 30% of the Capital Contribution to working capital;
- (iv) 10% of the Capital Contribution to operating expenses; and
- (v) 10% of the Capital Contribution to a reserve as contingency.

All items except item (v), which is expected to be reserved for the period between 2024 and 2026, are projected to be utilised in 2024. The item (i) is expected to be utilised for purchasing new facilities for production purposes and installation of new equipment for production purposes, and item (ii) is projected to be utilised in developing new products, enhancing existing products, as well as laboratory and testing costs. The items (i) and (ii) are expected to be categorised as capital expenditure. The item (iii) is expected to finance trade receivables, inventory and other current assets.

The basis of the Capital Budget is formulated by aligning it with the intended utilisation of the Capital Contribution described above, substantiated by an evaluation of the business prospects and projections of the Target Company. Upon Completion, it will become an associate company of the Company, and its reputation is expected to be bolstered, likely enhancing its marketing efficacy and achieving strong sales. Furthermore, the Company believes that its existing diversified sales network will play a pivotal role in fostering the growth of the healthcare product business. This is expected to generate new sales leads and provide an immediate sales channel for the Target Company. Considering the reasonableness of the Capital Budget, together with the expected synergy, the Company considers the terms of the basis of determining the Capital Budget to be fair and reasonable.

The Consideration was determined after arm's length negotiations with reference to the prospects of the business and the projections of some financial metrics, including but not limited to (i) a revenue growth rate of 80% within the first five-year period; (ii) a long-term growth rate of 3%; and (iii) a net profit margin of approximately 10.3%. The projections of the Target Company and the 33.3% equity sharing upon Completion have resulted in a positive net present value while meeting the required internal rate of return ("IRR") of the Group. The required IRR of the Group was determined as 15%, which is the Company's expected return on this project.

Having considered the reasons and benefits aforementioned, the Board is of the view that the Consideration is fair and reasonable.

WARNING OF THE RISKS OF DEALING IN THE SHARES

As the Completion is subject to the satisfaction and/or waiver (where applicable) of the conditions precedent set out in the Capital Increase and Subscription Agreement, the Capital Contribution may or may not proceed to completion. Shareholders and potential investors should therefore exercise caution when dealing in the Shares of the Company. The Company will make further announcement(s) with regard to the status of the abovementioned transaction as and when appropriate pursuant to the requirements under the GEM Listing Rules, as appropriate.

By Order of the Board

China Regenerative Medicine International Limited

Wang Chuang

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 2 February 2024

As at the date of this announcement, the executive Director is Mr. Wang Chuang (Chairman and Chief Executive Officer); the non-executive Director is Mr. Tsang Ho Yin; and the independent non-executive Directors are Ms. Huo Chunyu, Dr. Liu Ming and Mr. Leung Man Fai.

For the purposes of this announcement and illustration only, conversions of RMB and HK\$ are based on the approximate exchange rate of RMB1.00 to HK\$1.09. No representation is made that any amount in HK\$ or RMB could have been or could be converted at the above rate or any other rates.

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

In the case of any inconsistency, the English text of this announcement shall prevail over the Chinese text.