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CHARMACY PHARMACEUTICAL CO., LTD.

創美藥業股份有限公司

(a joint stock limited liability company established in the People's Republic of China)

(Stock code: 2289)

VOLUNTARY ANNOUNCEMENT

INVESTMENT IN ZHUHAI HENGXIANG PHARMACEUTICAL LIMITED*

(珠海市恒祥醫藥有限公司)

This is a voluntary announcement published by Charmacy Pharmaceutical Co., Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce that on 13 March 2017, the Company entered into a capital contribution agreement with the current owner (the “**Owner**”) of Zhuhai Hengxiang Pharmaceutical Limited (the “**Target Company**”), to increase the Company’s contribution to the registered capital of the Target Company, hold 70% of its equity interests and become its controlling shareholder (the “**Investment**”). The consideration of the Investment is RMB18,000,000 (equivalent to approximately HK\$20,223,000) and will be paid in cash and allocated from the proceeds from the listing of the Company at The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). To the best knowledge, information and belief of the Board having made all reasonable enquiries, both the Target Company and the Owner are third parties independent of the Company and its connected persons (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The Target Company is an established pharmaceutical distribution company based in Southern China. The Target Company has a scope of operation that covers Chinese medicine decoction pieces, Chinese patent medicines, chemical medicine preparations, antibiotic active pharmaceutical ingredients, antibiotic preparations and biochemical pharmaceuticals, as well as medical equipment, healthcare food and tonics; in particular, the core products include Chinese medicine decoction pieces, large infusion products and Chinese patent medicines. The Target Company distributes a whole range of pharmaceutical products with more than 3,000 specifications, including 1,065 types of Chinese decoction pieces, serving approximately 1,100

* For identification purpose only

downstream customers. Boasting extensive coverage of the end users in Zhuhai, the Target Company has a sales network that covers the entire end market of Zhuhai and part of the Zhongshan market.

The Group is mainly engaged in the distribution of pharmaceuticals, medical equipment, food, healthcare products and cosmetics, its business covering the entire Guangdong region and neighboring provinces such as Fujian, Zhejiang, Guangxi, Hainan and Hunan.

Considering various factors including the geographical location, product mix, revenue and customer base of the Target Company, the Directors are of the view that the Investment is in line with the Group's plan to acquire mature and profitable pharmaceutical distributors with a well-established market network in Southern China, that the Investment will benefit the Group in gaining a larger sales network, a more extensive customer base and a higher turnover, and that the Investment will play a synergic role by sharing operating costs and sales networks with the Group. Furthermore, upon the completion of the Investment, the Group estimates an increase of approximately 1,100 downstream customers and an increase of products of approximately 1,400 specifications under its operation, including 1,065 Chinese medicine decoction pieces. As such, the Investment will help raise the proportion of such products as Chinese medicine decoction pieces and healthcare products, equipping the Company with a stronger product mix to meet the diversified demands from customers and enjoy greater customer loyalty.

Based on the above considerations, the Directors believe that the Investment is in the interest of the Company and its shareholders as a whole. The Company will continue to widen its distribution coverage through establishment and acquisition, in an effort to further enhance its overall distribution capacity in Southern China.

As the Investment does not constitute a notifiable transaction under Chapter 14 of the Listing Rules, this announcement is made only to inform the Company's shareholders and potential investors of the latest business development of the Group.

By order of the Board
Charmacy Pharmaceutical Co., Ltd.
Yao Chuanglong
Chairman

Hong Kong, 13 March 2017

In respect of this announcement, RMB is converted to HK\$ using the exchange rate of RMB1.0000 to HK\$1.1235, and vice versa.

As at the date of this announcement, the executive directors of the Company are Mr. Yao Chuanglong, Ms. Zheng Yuyan, Mr. Fan Jianbo and Mr. Lin Zhixiong; the non-executive director of the Company is Ms. You Zeyan; and the independent non-executive directors of the Company are Mr. Wan Chi Wai Anthony, Mr. Zhou Tao and Mr. Guan Jian (also known as Guan Suzhe).