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## **Asia Grocery Distribution Limited**

**亞洲雜貨有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 8413)**

- (1) VERY SUBSTANTIAL ACQUISITION  
IN RELATION TO THE ACQUISITION OF  
CAR-T (SHANGHAI) BIOTECH CO., LTD.  
INVOLVING ISSUANCE OF CONSIDERATION SHARES  
UNDER SPECIFIC MANDATE AND PROMISSORY NOTES;  
(2) REVERSE TAKEOVER INVOLVING A NEW LISTING APPLICATION;  
(3) APPLICATION FOR WHITEWASH WAIVER;  
AND  
(4) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

### **THE ACQUISITION**

The Board is pleased to announce that on 24 April 2020 (after trading hours), the Company, as the Purchaser's warrantor, and the Purchaser, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendors, pursuant to which, (i) the Vendors agreed to procure the Reorganisation; and (ii) the Company conditionally agreed to acquire from the Vendors, and the Vendors conditionally agreed to sell, the Sale Interests for the Consideration of HK\$1,200 million, of which (i) HK\$628,000,000 shall be satisfied through the allotment and issuance of the Consideration Shares; and (ii) HK\$572,000,000 shall be satisfied through the issuance of the Promissory Notes. The Consideration Shares shall be allotted and issued pursuant to the Specific Mandate to be sought by the Company at the EGM.

Pursuant to the Reorganisation, Car-T Biotech, the Registered Shareholders and the Individual Beneficial Owners will undergo the restructuring exercise, such that the Company will seek to acquire Car-T Biotech and the Target Intermediate Holding Companies under the Sale and Purchase Agreement.

The Sale Interests represent, upon completion of the Reorganisation, through the acquisition of the entire issued capital of Car-T (BVI) and the Contractual Arrangements, the effective control over the financial and operational management and results of Car-T Biotech and all the economic benefits derived from the operations of Car-T Biotech.

## **PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

As at the date of this announcement, the authorised share capital of the Company is HK\$20,000,000.00 divided into 2,000,000,000 Shares, of which 1,162,000,000 Shares have been issued and are fully paid or credited as fully paid up. Subject to completion of the Acquisition, the Company shall allot and issue 3,140,000,000 new Shares in aggregate. The Board proposes to increase the authorised share capital of the Company from HK\$20,000,000.00 divided into 2,000,000,000 Shares to HK\$1,000,000,000.00 divided into 10,000,000,000 Shares through the creation of an additional 8,000,000,000 new Shares, all of which will rank pari passu with the existing Shares.

## **GEM LISTING RULES IMPLICATIONS**

The Acquisition constitutes (i) a very substantial acquisition for the Company under Chapter 19 of the GEM Listing Rules as the applicable percentage ratios in respect of the Acquisition exceed 100%; and (ii) a reverse takeover of the Company under Rule 19.06B of the GEM Listing Rules as the issuance of the Consideration Shares will result in a change in control (as defined under the Takeovers Code) of the Company.

The Sale and Purchase Agreement and the transactions contemplated thereunder, including the issuance of the Consideration Shares and Promissory Notes and the Specific Mandate will be subject to the approval of the relevant resolution(s) by the Independent Shareholders at the EGM.

Under Rule 19.54 of the GEM Listing Rules, the Company will be treated as if it were a new listing applicant. The Acquisition is therefore also subject to approval from the GEM Listing Committee of a New Listing Application to be made by the Company. Such New Listing Application is required to comply with all of the requirements under the GEM Listing Rules, in particular the requirements under Chapters 11 and 12 of the GEM Listing Rules. As at the date of this announcement, none of the relevant materials regarding the New Listing Application has been submitted to the Stock Exchange and the Company will initiate the New Listing Application process as soon as practicable. Assuming that there is no material delay in the existing tentative timetable, the submission of the New Listing Application is expected to be made to the Stock Exchange on or before 31 July 2020.

The GEM Listing Committee may or may not grant its approval of the New Listing Application.

## **IMPLICATIONS UNDER TAKEOVERS CODE AND APPLICATION OF WHITEWASH WAIVER**

As at the date of this announcement, the Vendors Concert Group is not interested in any Shares. Immediately after Completion, the Vendors Concert Group shall be entitled to exercise and control approximately 73.0% of the issued share capital of the Company as enlarged by the issuance of the Consideration Shares upon Completion. In the absence of the Whitewash Waiver, the Vendors Concert Group will be required to make a mandatory general offer for all the issued Shares other than those already owned or agreed to be acquired by the Vendors Concert Group under Rule 26.1 of the Takeovers Code.

In this regard, the Vendors Concert Group will make an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code, which, if granted by the Executive, will be subject to approval by 75% of the Independent Shareholders taken by way of poll at the EGM. If the Whitewash Waiver is not granted or not approved by 75% of the Independent Shareholders, the Sale and Purchase Agreement will lapse and the Acquisition will not proceed. The Whitewash Waiver, if granted, will also be subject to, among other things, approval by the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder and the Specific Mandate at the EGM where voting on the relevant resolution(s) shall be taken by poll.

## **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

Pursuant to the GEM Listing Rules and the Takeovers Code, the Independent Board Committee, comprising all the independent non-executive Directors, has been formed for the purpose of advising the Independent Shareholders on the Sale and Purchase Agreement and the transactions contemplated thereunder and the Specific Mandate, as well as, for the purpose of the Whitewash Waiver, the non-executive Director in addition to the independent non-executive Directors. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver.

## **EGM**

The EGM will be convened for the purpose of considering and, if thought fit, approving, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder, the Specific Mandate, the Whitewash Waiver and the Increase in Authorised Share Capital.

In accordance with the GEM Listing Rules, Shareholders who are connected, interested in or involved in the Sale and Purchase Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver are required to abstain from voting on the relevant resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver at the EGM.

As Mr. Wong Siu Man, an executive Director, is involved in the discussion of the Sale and Purchase Agreement and the transactions contemplated thereunder, Mr. Wong Siu Man is considered to be involved in the Sale and Purchase Agreement and the transactions contemplated thereunder. Hence, Sky Alpha will abstain from voting on the relevant resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver at the EGM.

Save as disclosed above, no Shareholder has a material interest in or is interested in or involved in the Sale and Purchase Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver, and therefore, other than Sky Alpha, no Shareholder is required to abstain from voting on the relevant resolution(s) to be proposed at the EGM.

### **DESPATCH OF THE CIRCULAR**

The Circular is subject to review and comments by the Stock Exchange and will be despatched to the Shareholders as soon as practicable after the Company has obtained the approval in principle from the GEM Listing Committee with respect to the New Listing Application. Under Rule 19.60(7) of the GEM Listing Rules, the Company is required to despatch the Circular in relation to a very substantial acquisition within 15 Business Days after the publication of this announcement. In accordance with Rule 8.2 of the Takeovers Code, the Company is required to despatch the Circular to the Shareholders within 21 days of the date of this announcement. As additional time is required for obtaining the approval in principle from the GEM Listing Committee with respect to the New Listing Application, an application will be made for the consent of the Executive under Rule 8.2 of the Takeovers Code for an extension of time for despatching the Circular. The Company expects the despatch of the Circular will be postponed to a date falling on or before 31 December 2020. The Company will make further announcement(s) in relation to the despatch of the Circular as and when necessary. Shareholders and potential investors should refer to the Circular for further details of the Acquisition and the New Listing Application.

### **WARNING**

**The Executive may or may not grant the Whitewash Waiver and the Independent Shareholders may or may not approve the Whitewash Waiver. The Acquisition will not proceed if the Whitewash Waiver is not so granted or approved.**

**Completion is subject to the satisfaction and/or waiver of the Conditions Precedent and provided that the termination rights are not exercised by the Purchaser or the Vendors pursuant to the Sale and Purchase Agreement, and therefore the Acquisition may or may not take place.**

**In addition, the GEM Listing Committee's approval for the New Listing Application to be made by the Company may or may not be granted. In the event that the approval for the New Listing Application is not granted by the GEM Listing Committee, the Sale and Purchase Agreement will not become unconditional and the Acquisition will not proceed.**

**Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company. Shareholders and public investors are advised to obtain appropriate professional advice.**

## **INTRODUCTION**

Reference is made to the announcement of the Company dated 26 June 2019 in relation to the MOU in respect of the Acquisition.

The Board is pleased to announce that on 24 April 2020 (after trading hours), the Company, as the Purchaser's warrantor, and the Purchaser, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendors, pursuant to which (i) the Vendors agreed to procure the Reorganisation; and (ii) the Company conditionally agreed to acquire from the Vendors, and the Vendors conditionally agreed to sell, the Sale Interests for the Consideration of HK\$1,200 million, of which (i) HK\$628,000,000 shall be satisfied by allotment and issuance of the Consideration Shares; and (ii) HK\$572,000,000 shall be satisfied through the issuance of the Promissory Notes. The Consideration Shares will be allotted and issued pursuant to the Specific Mandate to be sought by the Company at the EGM.

Pursuant to the Reorganisation, Car-T Biotech, the Registered Shareholders and the Individual Beneficial Owners will undergo the restructuring exercise, such that the Company will seek to acquire Car-T Biotech and the Target Intermediate Holding Companies under the Sale and Purchase Agreement. For details of the Reorganisation, please refer to the section headed "Reorganisation" below.

The Sale Interests represent, upon completion of the Reorganisations, through the acquisition of the entire issued capital of Car-T (BVI) and the Contractual Arrangements, the effective control over the financial and operational management and results of Car-T Biotech and all the economic benefits derived from the operations of Car-T Biotech.

## **THE SALE AND PURCHASE AGREEMENT**

Set out below are the principal terms of the Sale and Purchase Agreement:

### **Date**

24 April 2020 (after trading hours)

### **Parties**

- (i) the Purchaser;
- (ii) the Company, as the Purchaser's warrantor; and
- (iii) the Vendors.

As at the date of this announcement, the Vendors comprise 37 individuals, being the Individual Beneficial Owners of Car-T Biotech, who in aggregate hold 100% of the equity interests in Car-T Biotech. For details regarding the Vendors, please refer to the paragraph headed “Vendors and Vendors’ BVI Companies” under the section headed “Information on the Vendors” below.

### **Assets to be acquired**

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire from the Vendors the Sale Interests, which represent the effective control over the financial and operational management and results of Car-T Biotech and all the economic benefits derived from the operations of Car-T Biotech, through the acquisition of the entire issued capital of Car-T (BVI) and the Contractual Arrangements, upon completion of the Reorganisation.

Following the Reorganisation, (i) the Purchaser will acquire the entire issued share capital of Car-T (BVI), which will hold the entire issued share capital of Car-T (Hong Kong) and the entire registered capital of Car-T (WFOE); and (ii) Car-T (WFOE) will, through the Contractual Arrangements, gain effective control over the financial and operation management and results of Car-T Biotech, so that will enjoy all the economic benefits derived from the operations of Car-T Biotech.

Car-T Biotech is engaged in (i) bioengineering, medical research and development with related fields of stem-cells and other related healthcare services (the “**Biotech Business**”); and (ii) patents licensing of pharmaceutical composition for use in emergency treatment and preparation method thereof in the PRC, the details of which are in the section headed “Information on Car-T Biotech” below.

### **Consideration**

The Consideration is HK\$1,200 million, of which (i) HK\$628,000,000 shall be satisfied by allotment and issuance of the Consideration Shares; and (ii) HK\$572,000,000 shall be satisfied by issuance of the Promissory Notes, in the aggregate principal amount of HK\$572,000,000 (excluding interests), at Completion.

For further details of the Consideration Shares and the Promissory Notes, please refer to the paragraphs headed “Consideration Shares” and “Promissory Notes” below. For details of the number of the Consideration Shares and the amount of the Promissory Notes to be held by each of the Vendors or the Vendors’ BVI Companies upon Completion, please refer to the paragraph headed “Vendors and Vendors’ BVI Companies” under the section headed “Information on the Vendors” below.

## Basis of the Consideration

The Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendors taking into account the following factors:

- (i) the historical financial performance of Car-T Biotech, including (a) an unaudited net profit after taxation of approximately RMB66.2 million, and the extraordinary item of the government subsidies of approximately RMB1.7 million for the year ended 31 December 2019; and (b) an unaudited net profit after taxation of approximately RMB64.6 million for the year ended 31 December 2018, representing a year-on-year growth of approximately 11.3 times for the year ended 31 December 2017;
- (ii) the unaudited net asset value of Car-T Biotech of approximately RMB258.6 million as at 31 December 2019;
- (iii) the existing market penetration and leading market position of Car-T Biotech in the stem cells biotechnology and patents licensing of pharmaceutical composition for use in emergency treatment, and the preparation method thereof in the PRC, details of which are set out in the section headed "Reasons for and benefits of the Acquisition" below;
- (iv) the expected business development and future prospects of the business of Car-T Biotech, details of which are set out in the section headed "Reasons for and benefits of the Acquisition" below;
- (v) the preliminary valuation of the Biotech Business as at 31 October 2019 as assessed by an independent valuer, Moore Transaction Services Limited (the "**Independent Valuer**") (the "**Preliminary Valuation**");
- (vi) the Company's historical share price performance; and
- (vii) the factors set out in the section headed "Reasons for and benefits of the Acquisition" below.

A valuation report of the Biotech Business (the "**Valuation Report**") will be issued by the Independent Valuer for inclusion in the Circular, and will be prepared in accordance with the Royal Institute of Chartered Surveyors (RICS) Valuation, Global Standards 2017 published by the RICS ("**RICS Standards**") and the International Valuation Standards published by the International Valuation Standards Council. Mr. Ma Chi Kin ("**Mr. Ma**"), a director of Moore Transaction Services Limited, is a Registered Valuer, being a member of the Royal Institute of Chartered Surveyors with over five years' experience in valuations of properties and over 10 years' experience in business valuations in Hong Kong and the PRC. Mr. Ma is also experienced in assessing valuations of biological, health-related and medical products and services for companies listed on the Stock Exchange. The valuation of the Biotech Business of Car-T Biotech will be prepared on the basis of "market value" as defined in International Valuation Standards. The market approach will be adopted as the valuation approach and the price to earning (P/E) ratio is used as the valuation benchmark under this approach.

## Consideration Shares

As at the date of this announcement, the Company has 1,162,000,000 Shares in issue. The Consideration Shares, comprising 3,140,000,000 Shares, represent (i) approximately 270.2% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 73.0% of the issued share capital of the Company as enlarged by the allotment and issuance of the Consideration Shares (assuming that there is no other change to the issued share capital of the Company from the date of this announcement and up to Completion). The Company has not undertaken any equity fund-raising exercise in the 12 months immediately preceding the date of this announcement.

The Issue Price of HK\$0.20 per Share represents:

- (i) a discount of approximately 64.9% to the closing price of HK\$0.570 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 61.4% to the average closing price of HK\$0.518 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 59.0% to the average closing price of HK\$0.488 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 55.6% to the average closing price of HK\$0.451 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 58.0% to the average closing price of HK\$0.476 per Share as quoted on the Stock Exchange for the last 60 consecutive trading days up to and including the Last Trading Day;
- (vi) a discount of approximately 60.3% to the average closing price of HK\$0.504 per Share as quoted on the Stock Exchange for the last 90 consecutive trading days up to and including the Last Trading Day;
- (vii) a premium of approximately 122.2% over the unaudited consolidated net assets of the Company per Share of approximately HK\$0.09 and based on 1,162,000,000 Shares in issue as at 30 September 2019 (being the date to which the latest published interim report, was made up); and
- (viii) a premium of approximately 122.2% over the audited consolidated net assets of the Company per Share of approximately HK\$0.09 and based on 1,162,000,000 Shares in issue as at 31 March 2019 (being the date to which the latest published audited report of the Company was made up).



The Issue Price was determined after arm's length negotiations between the Purchaser and the Vendors with reference to (i) the prevailing market prices of the Shares prior to entering into the MOU, representing a premium of approximately 53.8% over the average closing price of HK\$0.13 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the MOU; (ii) the average closing price of HK\$0.518 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day; (iii) the financial performance of the Group; (iv) the low liquidity of the Shares prior to the Last Trading Day; and (v) the prevailing market conditions as at the date of the Sale and Purchase Agreement.

Prior to entering into the MOU, the historical price of the Shares remained stable from 26 June 2018 to 25 June 2019, being one year prior to the date of the MOU (the "**Prior MOU Period**"), with the average closing price of approximately HK\$0.16 per Share as quoted on the Stock Exchange. Since the Company's announcement relating to the MOU on 26 June 2019, the closing price of HK\$0.129 per Share on 25 June 2019 (i) increased to HK\$0.275 per Share on 26 June 2019, representing a surge of approximately 113.2% from the closing price of HK\$0.129 per Share on 25 June 2019; (ii) further increased to HK\$0.45 per Share on 27 June 2019, representing an increase of approximately 63.6% from the closing price of HK\$0.129 per Share on 26 June 2019; and (iii) further increased to HK\$0.570 per Share on the Last Trading Day, representing an increase of approximately 26.7% from the closing price of HK\$0.45 per Share on 27 June 2019. Save for the Company's announcement relating to the MOU, the Board is not aware of any other reason for such fluctuation in Share price. Therefore, the Board considers that the Prior MOU Period is more appropriate and reasonable to illustrate the historical/recent price movement of the Shares for conducting a reasonable comparison for the assessment of the fairness and reasonableness of the Issue Price, as the closing Share price before the MOU represents the fair market value of the Company which the Shareholders expected. Given the above, the Board considers that the Issue Price is fair and reasonable and in the interest of the Company and the Shareholder as a whole.

The Consideration Shares will be allotted and issued pursuant to a Specific Mandate to be sought by the Company at the EGM. The Consideration Shares, when allotted and issued, will rank pari passu in all respects among themselves and with the Shares in issue. An application will be made by the Company to the Stock Exchange for the approval for the listing of, and permission to deal in, the Consideration Shares.

The Consideration Shares are not subject to any lock up requirements.

### **Promissory Notes**

Pursuant to the Sale and Purchase Agreement, the Company shall issue the Promissory Notes in the principal amount of HK\$572,000,000 to the Vendors (or their nominees) as part payment of the Consideration upon Completion. The principal terms of the Promissory Notes are summarised as follows:

**Issuer:** the Company

**Noteholder:** the Vendors (or their nominees)

**Principal amount:** HK\$572,000,000 in aggregate, as to:

	<b>Principal amount (HK\$)</b>	<b>Maturity date</b>
Promissory Note 1	71,500,000	3rd anniversary from the date of issue
Promissory Note 2	71,500,000	4th anniversary from the date of issue
Promissory Note 3	71,500,000	5th anniversary from the date of issue
Promissory Note 4	71,500,000	6th anniversary from the date of issue
Promissory Note 5	71,500,000	7th anniversary from the date of issue
Promissory Note 6	71,500,000	8th anniversary from the date of issue
Promissory Note 7	71,500,000	9th anniversary from the date of issue
Promissory Note 8	71,500,000	10th anniversary from the date of issue
<b>Total</b>	<b><u>572,000,000</u></b>	

**Maturity date:** From three to 10 years from the date of issue.

**Repayment:** No repayment is required on the principal amount and interest on the first and second anniversary(ies).

The principal amount shall be settled by eight equal installments of HK\$71,500,000 each with the respective interest, in aggregate of HK\$77,220,000 to become applicable on each anniversary from the third to 10th anniversaries (inclusive).

**Interest:** (i) Each of the first and second anniversary:

Nil

(ii) Each of the anniversaries from the third to 10th anniversaries (inclusive):

3% per annum on the principal amount of the Promissory Notes, payable on the respective maturity dates

**Transferability:** Subject to prior notice to the Company, the Promissory Notes may be transferred or assigned in whole or in part to any third party other than connected persons (as defined in the GEM Listing Rules) of the Company.

Based on the aforesaid, the Directors (excluding the non-executive Director and the independent non-executive Directors, who will give their opinion based on the recommendation from the independent financial adviser to be appointed) are of the view that the Consideration (including the Issue Price and the Promissory Notes) is fair and reasonable and on normal commercial terms and the entering into of the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

### **Conditions Precedent**

The Sale and Purchase Agreement shall be subject to the following conditions being fulfilled and satisfied on or before the Long Stop Date:

- (a) the Purchaser, acting in good faith, being satisfied with the results of the due diligence review to be conducted by the Purchaser or its agent in respect of the assets, liabilities, operations and affairs of the Target Group (following the Reorganisation) and such other matters as deemed necessary by the Purchaser;
- (b) all necessary approvals or consents from the relevant government or regulatory authorities or other relevant third parties of Car-T Biotech, the Vendors and the Purchaser, including the business certificate of Car-T (WFOE) and completion of all of relevant Individual Beneficial Owners' registration in compliance with the Circular 37, for the consummation of the transactions contemplated under the Sale and Purchase Agreement having been obtained on terms satisfactory to the Purchaser (acting reasonably);
- (c) the Purchaser having obtained a PRC legal opinion (in the form and substance to its satisfaction) issued by a competent PRC legal adviser in respect of Car-T (WFOE) and Car-T Biotech, as to matters including but not limited to (i) duly incorporated and their respective valid and effective and compliance with the relevant PRC laws; (ii) all necessary patents and intellectual property rights relating to the operation of Car-T Biotech in the Biotech Business, and patents licensing of pharmaceutical composition for use in emergency treatment and preparation method thereof under the applicable PRC laws, having been obtained; (iii) all patents and intellectual property rights relating to the operation of Car-T Biotech having been legally owned by Car-T Biotech; (iv) completion of the Reorganisation which shall have been in full compliance with applicable laws, and having obtained all requisite approvals, permits, registrations or filings; (v) all requisite approvals, permits, registrations, consents, certificates that are material for carrying out the operations of Car-T Biotech in the Biotech Business, including the business certification showing the relevant scope of business of Car-T Biotech and Car-T (WFOE), and patents licensing of pharmaceutical composition for use in emergency treatment and preparation method thereof under the applicable PRC laws, regulations and rules having been obtained; (vi) legality, validity and enforceability of the Contractual Arrangements; and (vii) other related matters (where applicable) reasonably required by the Purchaser;

- (d) the passing of the necessary resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder, including the Reorganisation and the Contractual Arrangements in the shareholders meeting of Car-T Biotech and the respective corporate Registered Shareholders of Car-T Biotech;
- (e) the Purchaser having obtained the Valuation Report issued by the Independent Valuer in respect of the valuation of the Biotech Business and in the form and substance satisfactory to the Purchaser, the final valuation of the Biotech Business shall have no material adverse change in comparison to the Preliminary Valuation;
- (f) despatch of the Circular in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder, including the issuance of the Consideration Shares and the Promissory Notes, the Specific Mandate, the Whitewash Waiver and the Increase in Authorised Share Capital in accordance with the requirements under the GEM Listing Rules and the Takeovers Code;
- (g) the passing of the relevant resolutions to approve (i) the Sale and Purchase Agreement and the transactions contemplated thereunder, the Specific Mandate and the Increase in Authorised Share Capital by more than 50% of the votes cast; and (ii) the Whitewash Waiver by at least 75% of the votes cast, by the Independent Shareholders, who are entitled to vote and not required to abstain from voting under the GEM Listing Rules and the Takeovers Code at the EGM to be convened and held;
- (h) (if applicable) all other consents and acts required to be obtained by the Company under the GEM Listing Rules and/or any other applicable laws and regulations having been obtained and completed or, as the case may be, the relevant waiver(s) from compliance with any of such rules having been obtained from the Stock Exchange;
- (i) the Executive having granted the Whitewash Waiver;
- (j) the granting of the approval by the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, all of the Consideration Shares;
- (k) approval having been obtained from the GEM Listing Committee of the Stock Exchange for the New Listing Application by the Company pursuant to Rule 19.54 of the GEM Listing Rules in relation to the Acquisition and such approval not having been revoked or withdrawn;
- (l) (if applicable) compliance with any other requirements under the GEM Listing Rules and the Takeovers Code or otherwise from the Stock Exchange, the SFC or any other regulatory authorities or any applicable laws and regulations which requires compliance at any time prior to Completion in relation to the transactions contemplated under the Sale and Purchase Agreement, the Specific Mandate, the Whitewash Waiver and the Increase in Authorised Share Capital;

- (m) completion of the Reorganisation, including (a) the Target Group having obtained all necessary valid approvals, permissions, registrations and/or filings from the relevant governmental or regulatory authorities, agencies or bodies, including the business certification supporting the relevant scope of business of Car-T Biotech and Car-T (WFOE), certificate of incorporation of Car-T (BVI) and certificate of incorporation of Car-T (Hong Kong) in relation to the Reorganisation in accordance with the laws of any of its applicable jurisdictions; and (b) Car-T (WFOE) having entered into legal and valid Contractual Arrangements with Car-T Biotech and the Registered Shareholders in accordance with the PRC laws, in order to gain effective control over Car-T Biotech and to enjoy all of the economic benefits derived from Car-T Biotech, for the purpose of Acquisition and the New Listing Application;
- (n) having executed the Contractual Arrangements;
- (o) the Vendors not being in material breach of any of the provisions of the Sale and Purchase Agreement;
- (p) the Vendors not being in breach of the Vendors' Undertaking (as defined below);
- (q) the Purchaser being satisfied (acting reasonably) that, on Completion, the Vendors' warranties and representations as set out in the Sale and Purchase Agreement will remain true and accurate in all material respects and are not misleading in any material respect; and
- (r) the Purchaser not having knowledge of or having discovered from the date of the Sale and Purchase Agreement and/or since its incorporation (if incorporated after the date of the Sale and Purchase Agreement) there being any abnormal operations or any material adverse change in the business, positions (including assets, financial and legal status), operations, performance or assets, or any undisclosed material potential risks in respect of the Target Group companies.

The Purchaser will use reasonable endeavours to ensure that each of the Conditions Precedent set out in paragraphs (f) to (k) (inclusive) above is satisfied as soon as reasonably practicable and in any event before the Long Stop Date.

Although the Company does not expect that consents and/or approvals from the SFC or the Stock Exchange other than those already stated in paragraphs (i), (j) and (k) of the Conditions Precedent above will be required, paragraphs (h) and (l) of the Conditions Precedent are intended to provide for other consents and/or approvals which would be required from such regulators, if any. As at the date of this announcement, no additional consents and/or approvals from the SFC or the Stock Exchange had been identified which would fall within paragraphs (h) and (l) of the Conditions Precedent.

As at the date of this announcement, none of the Conditions Precedent had been fulfilled. None of the Conditions Precedent is waivable. If any of the Conditions Precedent cannot be satisfied on or before the Long Stop Date, the Sale and Purchase Agreement will automatically terminate.

## **Pre-Completion undertaking in respect of the disposal and/or placing down of a certain number of Shares by Sky Alpha**

Sky Alpha undertook to the Company to dispose of and/or place down a certain number of Shares (i.e. approximately 516,300,000 Shares) (the “**Sky Alpha Share(s)**”) (the “**Pre-Completion Undertaking**”), through the open market, placing and/or underwriting to third-party investors and/or other independent placees (who are Independent Third Parties that are not existing Shareholders, and are not acting in concert with the Vendors and Sky Alpha) prior to Completion, so as to ensure the compliance with the Company’s public float requirement upon Completion.

Sky Alpha shall appoint underwriter(s) and/or placing agent(s) as soon as reasonably practicable to underwrite and/or place down a certain number of Shares to third-party investors upon the publication of the Circular. Sky Alpha shall require the underwriter(s) to undertake that (i) the underwriter(s) and/or the sub-underwriter(s) may subscribe the Sky Alpha Shares for its own account on the condition that they will not become the Substantial Shareholders of the Company upon Completion; (ii) the underwriter(s) will use its reasonable endeavors to procure that each of sub-underwriter(s) or the ultimate subscriber(s) procured by the underwriter(s) or the sub-underwriter(s) is not a Shareholder at the time of subscription and will be an Independent Third Party after Completion; and (iii) the underwriter(s) and/or the sub-underwriter(s) is not and will not be a shareholder of the Company immediately before subscribing the Sky Alpha Shares. Sky Alpha shall also require the placing agent(s) to undertake that the placing agent(s) and/or the sub-placing agent(s) will use its reasonable endeavor to procure that each of sub-placing agent(s) or the ultimate placee(s) procured by the placing agent(s) or the sub-placing agent(s) is not a Shareholder at the time of placing and will be an Independent Third Party after Completion.

## **Vendors’ Undertaking**

Between the dates of entering into the Sale and Purchase Agreement and Completion, the Vendors jointly and severally provided to the Purchaser the usual representations, warranties and undertakings (the “**Vendors’ Undertaking**”) relating to the affairs and status of Car-T Biotech, including but not limited to its due incorporation, share capital, business licenses, material contracts, related parties transactions, staff and management personnel, accounts including performance and assets and liabilities, insurances, taxations, legal and regulatory compliances, litigations and disputes that are normally required by purchasers of similar acquisition transactions. Pursuant to the Vendors’ Undertaking, the Vendors also jointly and severally provided to the Purchaser that, among others, the key personnel of Car-T Biotech, including Mr. Li, Mr. Bi, Mr. Song Zhong Wei (宋忠偉), Ms. Bai Yun (白雲), Ms. Yang Hong (楊紅), Mr. Shao Xiaohu (邵小虎) and Mr. Liu Feng (劉峰) as stipulated under the Sale and Purchase Agreement will be retained on Completion.

After Completion, the remuneration of the abovementioned key personnel of Car-T Biotech will be reviewed and determined by the remuneration committee of the Company in conjunction with the Board with reference to their duties and responsibilities, their qualifications, experience and the prevailing market conditions.

## **Warranties by the Purchaser’s warrantor**

The Purchaser’s warrantor warrants that it will perform its obligations of issuance of the Consideration Shares and the Promissory Notes under the Sale and Purchase Agreement at Completion.

## **Completion**

Completion shall take place on the 30th Business Day after the fulfillment of the Conditions Precedent or such other date as the parties to the Sale and Purchase Agreement shall agree to in writing.

Upon Completion, the Target Intermediate Holding Companies will all become indirect wholly-owned subsidiaries of the Company and Car-T (WFOE) will, through the Contractual Arrangements, acquire effective control over the financial and operation management and results of Car-T Biotech and enjoy all the economic benefits derived from the operations of Car-T Biotech. The financial results of the Target Group will be combined into the financial results of the Group upon Completion.

## **Termination**

The Purchaser may by written notice to the Vendors at any time prior to Completion elect to terminate the Sale and Purchase Agreement without liability on the part of the Purchaser if any fact, matter or event (whether existing or occurring on or before the date of the Sale and Purchase Agreement or arising or occurring afterwards) comes to the notice of the Purchaser at any time prior to Completion which:

- (i) constitutes a material breach by the Vendors of any provision of the Sale and Purchase Agreement (including the Reorganisation); or
- (ii) constitutes a material breach by the Vendors of any of the warranties set out in the Sale and Purchase Agreement at any time before Completion; or
- (iii) in the reasonable opinion of the Purchaser is or is reasonably likely to result in a material adverse change in the business, positions (including assets, financial and legal status), operations or assets, or any undisclosed material potential risks in respect of Car-T Biotech and the Target Intermediate Holding Companies.

The Vendors may by written notice to the Purchaser at any time prior to Completion elect to terminate the Sale and Purchase Agreement without liability on the part of the Vendors if any fact, matter or event (whether existing or occurring on or before the date of the Sale and Purchase Agreement or arising or occurring afterwards) comes to the notice of the Vendors at any time prior to Completion which:

- (i) constitutes a material breach by the Purchaser of any provision of the Sale and Purchase Agreement; or
- (ii) would result in the listing of the Shares on the Stock Exchange being revoked or withdrawn, or there being sufficient evidence to prove that the listing of the Shares on the Stock Exchange are being revoked or withdrawn, or if the Company takes any action that would lead to the Shares listed on the Stock Exchange being delisted; or

(iii) constitutes a material breach by the Purchaser of any of the warranties set out in the Sale and Purchase Agreement at any time before Completion.

If the Conditions Precedent are not fulfilled on or before the Long Stop Date, the Sale and Purchase Agreement will terminate or lapse.

### **Indemnity**

Pursuant to the Sale and Purchase Agreement:

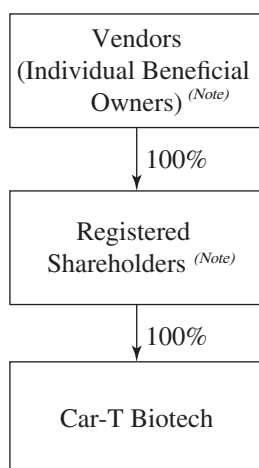
- the Vendors will jointly indemnify the Purchaser and/or the Company against all actual losses (including for all losses, fees, costs and expenses incurred in respect of the Sale and Purchase Agreement and the Acquisition) as a result of any breach by any of the Vendors, including any material breach by the Vendors and/or the Target Group companies, of any provision of the Sale and Purchase Agreement regardless of whether such breach arose from an intentional or negligent act or omission; and
- the Purchaser will indemnify the Vendors and/or the Target Group companies against all actual losses (including for all losses, fees, costs and expenses in respect of, among others, the Sale and Purchase Agreement and the implementation of the Reorganisation) that the Vendors and/or the Target Group companies have incurred as a result of any breach constituted by the Purchaser, including any material breach by the Company of any provision of the Sale and Purchase Agreement to the Vendors and/or the Target Group companies.

### **INFORMATION ON THE GROUP**

The Group is principally engaged in trading and distribution of food and beverage grocery products in Hong Kong.

### **INFORMATION ON THE VENDORS**

Set out below is the simplified shareholding structure of Car-T Biotech as at the date of the Sale and Purchase Agreement:



*Note:* For details regarding the Vendors, please refer to the paragraph headed “Vendors and Vendors’ BVI Companies” below.



## Registered Shareholders

As at the date of this announcement, the Registered Shareholders comprise four individual Registered Shareholders and 12 corporate Registered Shareholders. The table below sets out the shareholding of each of the Registered Shareholders in Car-T Biotech and the effective shareholding of the respective Individual Beneficial Owners of Car-T Biotech before Reorganisation:

Registered Shareholder	Shareholding in Car-T Biotech held by the Registered Shareholder (approximate)	Individual Beneficial Owner of the corporate Registered Shareholder	Shareholding in the respective corporate Registered Shareholder of the Individual Beneficial Owner (approximate)	Effective shareholding in Car-T Biotech of the Individual Beneficial Owner (approximate)
Shanghai Que Hai Biotech Partnership (Limited Partnership)* (上海鵲海生物科技合夥企業(有限合夥))	54.44%	Li Jun (李軍)	70.00%	38.11%
		Bi Sheng (畢勝)	30.00%	16.33%
Nanjing Xianfeng Petrochemical Co., Ltd.* (南京賢豐石油化工有限公司)	8.65%	Hu Chun Lei (胡春雷)	45.64%	3.95%
		Hu Bei Lei (胡蓓蕾)	45.64%	3.95%
		Hu Rui Xian (胡瑞賢)	8.71%	0.75%
Shanghai Ruilie Biotechnology Partnership (Limited Partnership)* (上海睿列生物科技合夥企業(有限合夥))	5.77%	Zheng Hong Lin (鄭洪林)	50.00%	2.89%
		Xu Xiao (徐曉)	25.00%	1.44%
		Tao Yinfang (陶吟芳)	25.00%	1.44%
Lu Hong Yi (盧弘毅)	5.33%	–	–	5.33%
Yan Rui (閻蕊)	3.00%	–	–	3.00%
Mao Jun Liang (毛俊梁)	3.60%	–	–	3.60%
Shanghai Xuanxu Management Consulting Partnership (Limited Partnership)* (上海絢徐管理諮詢合夥企業(有限合夥))	2.89%	Fu Xiao Yang (付曉陽)	50.00%	1.445%
		Qin Mei Lin (秦玫琳)	50.00%	1.445%
Shanghai Chouqing Management Consulting Partnership (Limited Partnership)* (上海疇卿管理諮詢合夥企業(有限合夥))	2.48%	Guo Xiao Chuan (郭曉川)	34.48%	0.86%
		Wang Xing (王興)	31.03%	0.77%
		Chen Kui Feng (陳奎峰)	27.59%	0.68%
		Zheng Hong Lin (鄭洪林)	3.45%	0.09%
		Shen Lu (申璐)	3.45%	0.09%

Registered Shareholder	Shareholding in Car-T Biotech held by the Registered Shareholder (approximate)	Individual Beneficial Owner of the corporate Registered Shareholder	Shareholding in the respective corporate Registered Shareholder of the Individual Beneficial Owner (approximate)	Effective shareholding in Car-T Biotech of the Individual Beneficial Owner (approximate)
Shanghai Zhini Medical Technology Partnership (Limited Partnership)* (上海智旒醫療科技合夥企業(有限合夥))	2.16%	Cai Kai Xiang (蔡凱翔) Cai Zhi Jian (蔡志堅)	53.00% 47.00%	1.14% 1.02%
Shanghai Fubin Biotechnology Partnership (Limited Partnership)* (上海福彬生物科技合夥企業(有限合夥))	1.82%	Xu Xiao Qi (徐曉奇) Liu Ying Ying (劉瑩瑩) Lan Qiao Wen (蘭巧文)	68.25% 15.87% 15.87%	1.24% 0.29% 0.29%
Shanghai Shaoduo Management Consulting Partnership (Limited Partnership)* (上海韶鐸管理諮詢合夥企業(有限合夥))	1.80%	Bi Jun Chang (畢俊昌) Zhang Wen Jian (張文建)	80.00% 20.00%	1.44% 0.36%
Shanghai Maodi Management Consulting Partnership (Limited Partnership)* (上海卯棣管理諮詢合夥企業(有限合夥))	1.73%	Peng Xian Jin (彭先進) Peng Bo (彭勃) Li Ji Feng (李繼鋒)	50.00% 33.33% 16.67%	0.87% 0.58% 0.29%
Shanghai Fuzhu Biotechnology Partnership (Limited Partnership)* (上海福著生物科技合夥企業(有限合夥))	1.73%	Wu Wei (吳偉) Shan Ji (單吉)	83.33% 16.67%	1.44% 0.29%
Chen Li (陳力)	1.71%	–	–	1.71%
Shanghai Quezhu Biotechnology Partnership (Limited Partnership)* (上海鵲著生物科技合夥企業(有限合夥))	1.71%	Li Jun (李軍) Liu Qi (劉奇) Lu Hong Yi (盧弘毅)	68.00% 25.00% 7.00%	1.16% 0.43% 0.12%
Shanghai Shaolang Management Consulting Partnership (Limited Partnership)* (上海紹琅管理諮詢合夥企業(有限合夥))	1.18%	Dai Xiang Dong (戴向東) Wu Wei (吳偉) Xu Jun (徐軍) Zhao Qian (趙前) Zhang Pei Lian (張培蓮) Gong Li Qiong (龔麗瓊) Zhong Shao Bo (鐘紹波)	24.39% 14.63% 12.20% 12.20% 12.20% 12.20% 12.20%	0.29% 0.17% 0.14% 0.14% 0.14% 0.14% 0.14%
<b>Total</b>	<b>100%</b>			<b>100%</b>

## Vendors and Vendors' BVI Companies

As at the date of this announcement, the Vendors comprise 37 individuals who hold their respective interests through corporate Registered Shareholders or as the individual Registered Shareholders in Car-T Biotech (as may be the case). In order to accommodate the Reorganisation, the table below sets out (i) the Individual Beneficial Owners and their effective shareholdings in Car-T Biotech on an aggregated basis; and (ii) the number of the Consideration Shares and the amount of the Promissory Notes to be held by the Vendors and/or the Vendors' BVI Companies upon Completion:

Individual Beneficial Owner	Effective shareholding in Car-T Biotech (on an aggregated basis)	Shareholding in the Vendors' BVI Company	Vendors' BVI Company	Immediately upon completion of the allotment and issuance of the Consideration Shares and placing down by Sky Alpha		Amount of Promissory Notes
	(approximate)	(approximate)		Number of issued Shares	(approximate)	HK\$
Li Jun (李軍)	39.27%	100%	BVI 1	1,233,078,000	28.67%	224,624,400
Bi Sheng (畢勝)	16.33%	100%	BVI 2	512,762,000	11.92%	93,407,600
Liu Qi (劉奇)	0.43%	100%	BVI 3	13,502,000	0.32%	2,459,600
Lu Hong Yi (盧弘毅)	5.45%	100%	BVI 4	171,130,000	3.98%	31,174,000
Zheng Hong Lin (鄭洪林)	2.98%	100%	BVI 5	93,572,000	2.18%	17,045,600
Hu Bei Lei (胡蓓蕾) (Note)	3.95%	45.64%	BVI 6	124,030,000	2.89%	22,594,000
Hu Chun Lei (胡春雷) (Note)	3.95%	45.64%		124,030,000	2.89%	22,594,000
Hu Rui Xian (胡瑞賢) (Note)	0.75%	8.72%		23,550,000	0.55%	4,290,000
Xu Xiao (徐曉)	1.44%	50.00%	BVI 7	45,216,000	1.05%	8,236,800
Tao Yinfang (陶吟芳)	1.44%	50.00%		45,216,000	1.05%	8,236,800
Yan Rui (閻蕊)	3.00%	100%	BVI 8	94,200,000	2.19%	17,160,000
Mao Jun Liang (毛俊梁)	3.60%	100%	BVI 9	113,040,000	2.63%	20,592,000
Guo Xiao Chuan (郭曉川)	0.86%	35.83%	BVI 10	27,004,000	0.63%	4,919,200
Wang Xing (王興)	0.77%	32.08%		24,178,000	0.56%	4,404,400
Chen Kui Feng (陳奎峰)	0.68%	28.33%		21,352,000	0.50%	3,889,600
Shen Lu (申璐)	0.09%	3.75%		2,826,000	0.07%	514,800
Cai Kai Xiang (蔡凱翔)	1.14%	53.00%	BVI 11	35,796,000	0.84%	6,520,800
Cai Zhi Jian (蔡志堅)	1.02%	47.00%		32,028,000	0.75%	5,834,400
Xu Xiao Qi (徐曉奇)	1.24%	68.26%	BVI 12	38,936,000	0.91%	7,092,800
Liu Ying Ying (劉瑩瑩)	0.29%	15.87%		9,106,000	0.21%	1,658,800
Lan Qiao Wen (蘭巧文)	0.29%	15.87%		9,106,000	0.21%	1,658,800

Individual Beneficial Owner	Effective shareholding in Car-T Biotech (on an aggregated basis)	Shareholding in the Vendors' BVI Company	Vendors' BVI Company	Immediately upon completion of the allotment and issuance of the Consideration Shares and placing down by Sky Alpha		Amount of Promissory Notes
	(approximate)	(approximate)		Number of issued Shares	(approximate)	HK\$
Bi Jun Chang (畢俊昌)	1.44%	80.00%	BVI 13	45,216,000	1.05%	8,236,800
Zhang Wen Jian (張文建)	0.36%	20.00%		11,304,000	0.26%	2,059,200
Peng Xian Jin (彭先進)	0.87%	50.00%	BVI 14	27,318,000	0.64%	4,976,400
Peng Bo (彭勃)	0.58%	33.33%		18,212,000	0.43%	3,317,600
Li Ji Feng (李繼鋒)	0.29%	16.67%		9,106,000	0.21%	1,658,800
Wu Wei (吳偉)	1.61%	100%	BVI 15	50,554,000	1.18%	9,209,200
Shan Ji (單吉)	0.29%	100%	BVI 16	9,106,000	0.21%	1,658,800
Chen Li (陳力)	1.71%	100%	BVI 17	53,694,000	1.25%	9,781,200
Fu Xiao Yang (付曉陽)	1.445%	50.00%	BVI 18	45,373,000	1.06%	8,265,400
Qin Mei Lin (秦玫琳)	1.445%	50.00%		45,373,000	1.06%	8,265,400
Dai Xiang Dong (戴向東)	0.29%	28.55%	BVI 19	9,106,000	0.21%	1,658,800
Xu Jun (徐軍)	0.14%	14.29%		4,396,000	0.11%	800,800
Zhao Qian (趙前)	0.14%	14.29%		4,396,000	0.11%	800,800
Zhang Pei Lian (張培蓮)	0.14%	14.29%		4,396,000	0.11%	800,800
Gong Li Qiong (龔麗瓊)	0.14%	14.29%		4,396,000	0.11%	800,800
Zhong Shao Bo (鐘紹波)	0.14%	14.29%		4,396,000	0.11%	800,800
	<b>100%</b>			<b>3,140,000,000</b>	<b>73.00%</b>	<b>572,000,000</b>

Note: Hu Bei Lei and Hu Chun Lei are siblings and Hu Rui Xian is their father.

As at the date of this announcement, each of the Vendors is an individual Registered Shareholder or an ultimate individual beneficial owner of the corporate Registered Shareholder, being the existing individual or corporate shareholders of Car-T Biotech registered with the competent administration for market regulation. Save as disclosed above, each of the Vendors, the Individual Beneficial Owners and the Registered Shareholders does not have any relationships among themselves. As at the date of this announcement, each of the Vendors and the Registered Shareholders are Independent Third Parties. Other than the Acquisition, neither the Company nor its connected persons have any prior or existing business relationship or arrangement with any of the Vendors and/or their respective associates and parties acting in concert with them. In the past, each of the Registered Shareholders of Car-T Biotech, when exercising their voting rights in the shareholders' meetings of Car-T Biotech, had followed the decisions of Mr. Li on issues relating to the operation, management, accounting and personnel arrangement of Car-T Biotech owing to their respect for Mr. Li as the founder and for his in-depth knowledge in the industry and the business of Car-T Biotech. Pursuant to the undertaking to be entered into by the Vendors on Completion, the Vendors undertake that (i) the Registered Shareholders of Car-T Biotech will continue following the decisions of Mr. Li on issues relating to the above arrangement and will, together with Mr. Li, collectively control and manage Car-T Biotech upon Completion; and (ii) the Vendors Concert Parties will, together with Mr. Li, collectively exercise their voting rights of the Company upon Completion, until such arrangement is terminated in writing by all of the parties to such undertaking. Hence, by virtue of such arrangement, the Vendors Concert Group will be entitled to exercise and control over 30% or more of the voting power at general meetings of the Company upon Completion, accordingly, all of the Vendors will be regarded as a group of the Controlling Shareholders upon Completion.

Save and except for the above disclosed and the Sale and Purchase Agreement, there is no other agreement, arrangement or understanding, explicit or implied, between the Company and its connected persons on one hand, and the Vendors and their affiliates on the other hand, that is not disclosed in this announcement.

### ***Mr. Li***

Mr. Li Jun (李軍), aged 53, is the beneficial owner of 39.27% of the equity interests of Car-T Biotech, on an aggregated basis, as at the date of this announcement. Mr. Li is the founder and has been the chief executive officer and a director of Car-T Biotech since 2015. He is primarily responsible for overseeing strategic development, overall operations and management and major decision-making of Car-T Biotech. Mr. Li has extensive experience in strategic planning and in the corporate management of business enterprises in the PRC.

Mr. Li has more than 20 years of experience in medical technology and development. From February 2002 to December 2015, Mr. Li was the managing director at Connell Energy Technology (Shanghai) Co., Ltd.\* (康奈爾(上海)能源技術有限公司), which was principally engaged in the sale of medical devices, equipment and machineries. From August 1998 to February 2002, Mr. Li was a vice president at Shanghai Kangnuo Medical Company Technology Co., Ltd.\* (上海康諾醫藥科技有限公司), which was principally engaged in the provision of corneal orthopedics for myopia (角膜塑形鏡治療近視眼).

Mr. Li obtained a bachelor degree in medicine from the Second Military Medical University\* (上海第二軍醫大學) in July 1989, a bachelor degree in military science from the PLA Nanjing Political College\* (南京政治學院) in July 1994, and a master degree in social medical and health management from the Second Military Medical University\* (上海第二軍醫大學) in July 1998. Mr. Li also received his doctorate degree in Business Administration from the Grenoble Ecole de Management in February 2015.

### ***Mr. Bi***

Mr. Bi Sheng (畢勝), aged 51, is the beneficial owner of 16.33% of the equity interests of Car-T Biotech, on an aggregated basis, as at the date of this announcement. Mr. Bi has been a director of Car-T Biotech since December 2017 and the deputy general manager of Car-T Biotech since July 2018. He is primarily responsible for overseeing the sales, marketing and distribution functions of Car-T Biotech.

Mr. Bi has more than 10 years of experience in the sales, marketing and distribution in medical related industries in the PRC. From 2003 to 2018, Mr. Bi was a vice president at Shanghai Litian Pharmaceutical Co., Ltd.\* (上海麗天藥業有限公司), which was principally engaged in the sale of pharmaceutical and related products. From 2000 to 2003, Mr. Bi worked as a manager in the sales department at Shanghai Kangnuo Pharmaceutical Technology Co., Ltd.\* (上海康諾醫藥科技有限公司), which was principally engaged in the sale of small-scale medical devices, equipment and machineries.

Mr. Bi obtained a bachelor degree in food engineering from Guiyang Engineering University\* (貴陽工程大學) in June 1990.

## **INFORMATION ON CAR-T BIOTECH**

Car-T Biotech was incorporated in 31 December 2015 and commenced business operations from February 2016 in (i) bioengineering, medical research and development with related fields of stem-cells and other related healthcare services; and (ii) patents licensing of pharmaceutical composition for use in emergency treatment and preparation method thereof in the PRC.

Car-T Biotech generates revenue from (i) extraction and purification services of dental pulp stem cells from deciduous teeth by apply the bioengineering technologies in stem cells and other related healthcare services to its customers; and (ii) patents licensing of pharmaceutical compositions for use in emergency treatment and preparation method thereof, for which Car-T Biotech licences the pharmaceutical composition patents to the pharmaceutical manufacturer and receives patent fees based on the volume of pharmaceutical composition sold.

## Financial information of Car-T Biotech

As extracted from the unaudited management accounts of Car-T Biotech, the financial information of Car-T Biotech for the three financial years ended 31 December 2017, 2018 and 2019, which were prepared in accordance with the relevant accounting principles generally accepted in the PRC, is set out below:

	For the year ended		
	31 December		
	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	29,517	110,673	148,784
Net profit before taxation	7,259	76,669	78,074
Net profit after taxation	5,728	64,567	66,239

	As at 31 December		
	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Net assets	74,675	175,492	258,560

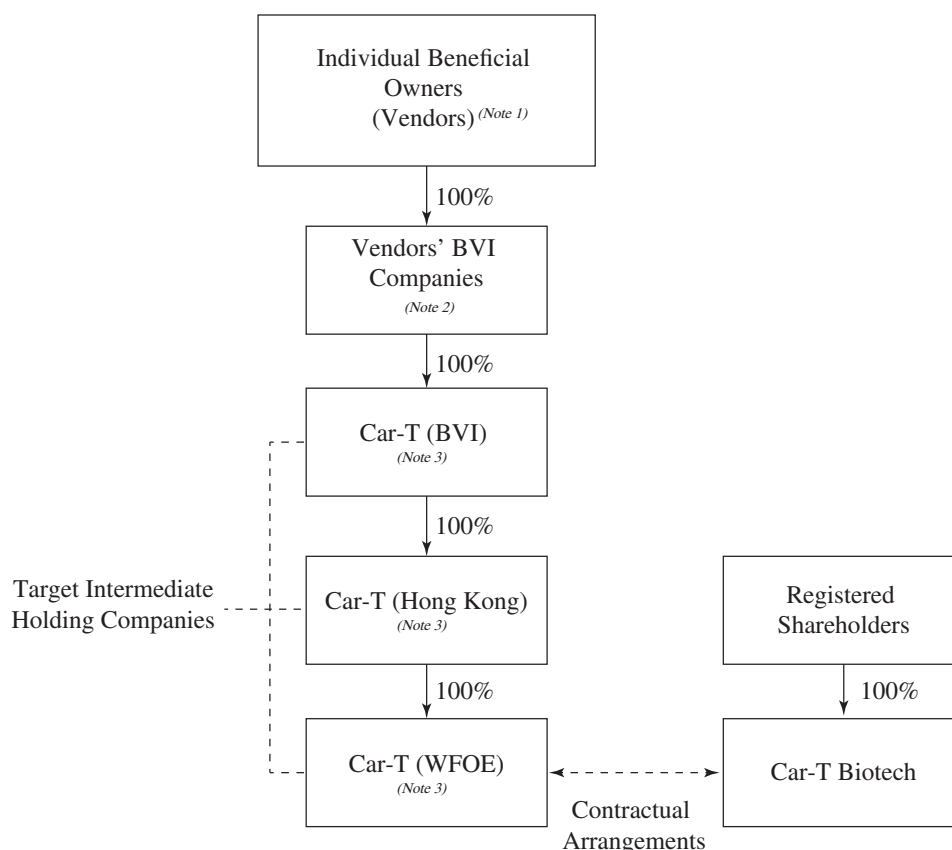
Pursuant to the GEM Listing Rules 19.58(7) and (8), the Company is required to disclose (i) the value (book value and valuation, if any) of the assets which are subject of the transaction, and (ii) where applicable, the net profits (before and after taxation) attributable to the assets which constitute the subject of the transaction for the two financial years immediately preceding the transaction (the “Required Financial Information”). As such, the unaudited consolidated net assets as at 31 December 2018 and 2019, and the net profit (before and after taxation) for each of the two years ended 31 December 2019, of Car-T Biotech as required under the GEM Listing Rules, are disclosed above in this announcement. Pursuant to Rule 10 of the Takeovers Code, the Required Financial Information constitutes a profit estimate and should be reported on by the financial adviser and reporting accountants of the Company under Rule 10.4 of the Takeovers Code. However, due to the practical difficulties in terms of the additional time required for the preparation of the Required Financial Information by the Company’s reporting accountants, the disclosure of the Required Financial Information does not meet the standard required by Rule 10 of the Takeovers Code. Shareholders and potential investors should exercise caution in placing reliance on such information in assessing the merits and demerits of the transaction. The accountants’ report setting out the audited financial statements relating to Car-T Biotech, which will be in full compliance with the requirements of the Takeovers Code, will be included in the Circular to be issued by the Company to the Shareholders. Shareholders should note that there may be differences between the financial information as presented in this announcement and the financial information to be presented in the Circular to be despatched by the Company to the Shareholders.

Shareholders and potential investors should exercise caution in placing reliance on the forecast in assessing the merits and demerits of the transaction.

## REORGANISATION

Pursuant to the Sale and Purchase Agreement, Car-T Biotech and the Registered Shareholders and the Individual Beneficial Owners will undergo a restructuring exercise, such that Car-T Biotech and the Target Intermediate Holding Companies are intended to be acquired by the Company under the Sale and Purchase Agreement. The Reorganisation will involve (i) incorporation of a series of companies in the BVI, collectively the Vendors' BVI Companies, to be held by the Individual Beneficial Owners, the details of which are set out in the paragraph headed "Vendors and Vendors' BVI Companies" under the section headed "Information on the Vendors" above; (ii) incorporation of offshore subsidiaries, namely Car-T (BVI), which is to be held by the Vendors' BVI Companies, and Car-T (Hong Kong), which will be held by Car-T (BVI) in its entirety; (iii) completion of the relevant Individual Beneficial Owners' registration in compliance with the Circular 37 before establishment of Car-T (WFOE); (iv) establishment of Car-T (WFOE), which will be held in its entirety by Car-T (Hong Kong); and (v) entering into the Contractual Arrangements with Car-T (WFOE), Car-T Biotech and the Registered Shareholders. For details of the Contractual Arrangements, please refer to the section headed "Contractual Arrangements" below.

Set out below are the simplified shareholding structure of the Target Group upon completion of the Reorganisation:



### Notes:

- For further details of the Vendors, please refer to the section headed "Information on the Vendors" in this announcement.
- The Vendors' BVI Companies, being a series of intermediate holding companies in the BVI, each of which is owned by one or more Vendors.
- Upon completion of the Reorganisation, Car-T (BVI) will be wholly owned by the Vendors' BVI Companies; while Car-T (BVI) will hold the entire issued share capital of Car-T (Hong Kong), which will in turn hold the entire registered capital of Car-T (WFOE).



## Individual Beneficial Owners

Pursuant to the Circular No. 37 promulgated by the SAFE which came into force on 4 July 2014, a PRC resident must register with the local branch of SAFE before he contributes legal assets or equity interests in an overseas special purpose vehicle, which is directly incorporated or indirectly controlled by the PRC Resident for the purpose of overseas investment or financing. In addition, on 13 February 2015, the SAFE promulgated Circular 13 which came into effect on 1 June 2015. The aforesaid registration shall be directly reviewed and handled by qualified banks in accordance with Circular 13, and the SAFE and its branches shall perform indirect regulation over the foreign exchange registration via qualified banks. As confirmed by the Vendors, all of the Individual Beneficial Owners are Chinese citizens holding identity (ID) card of Chinese domestic resident. As advised by the PRC Legal Advisers, according to the Circular No. 37, each of the Individual Beneficial Owners is required to complete the registration under Circular 37 as part of the Reorganisation, and has commenced the application process for the registration under Circular 37 in February 2020, which is expected to take around four months to complete. As advised by the Vendors, the Reorganisation will comply with all applicable laws and regulations in the PRC and the Target Group will obtain all necessary approvals, registrations and/or filing from the relevant PRC government authorities or any other competent regulatory authorities, including the business certifications showing the relevant scope of business of Car-T Biotech and Car-T (WFOE).

## CONTRACTUAL ARRANGEMENTS

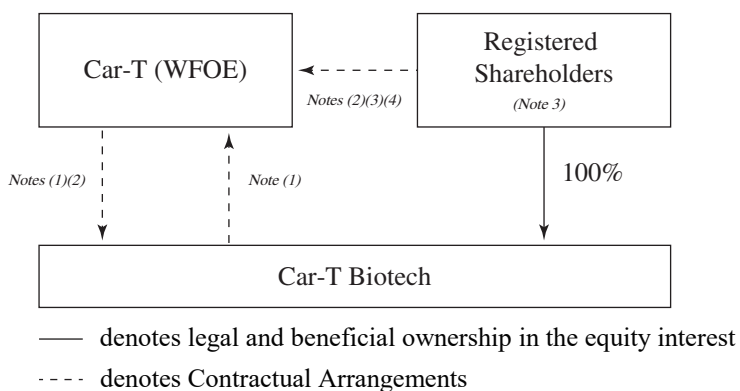
Car-T Biotech engages in (i) bioengineering, medical research and development with related fields of stem-cells and the provision of other related healthcare services (the “**Relevant Business**”); and (ii) patents licensing of pharmaceutical composition for use in emergency treatment and preparation method thereof in the PRC. Some intellectual property rights, including patents and trademarks, on bioengineering in stem cells are also held by Car-T Biotech. Pursuant to the Negative List 2019, foreign investment in the development and application of technologies of human stem cell is prohibited, and foreign investors are prohibited from holding equity interest in any enterprise conducting operation of such relevant business under the applicable PRC laws and regulations.

As a result, the Company, as a foreign investor under the current regulatory regime and, according to the applicable PRC laws and regulations, cannot directly or indirectly hold an equity interest in Car-T Biotech which is conducting operations of the Relevant Business. In order to maintain Relevant Business operations whilst complying with PRC laws and regulations applicable to the Company, upon Completion, to exercise control over the Relevant Business operation of Car-T Biotech and enjoy all the economic interests derived therefrom, Car-T (WFOE), Car-T Biotech and the Registered Shareholders will enter into the Contractual Arrangements, of which Car-T (WFOE) will acquire effective control over the financial and operational management and results of Car-T Biotech and enjoy all the economic benefits derived from the operations of Car-T Biotech.

The Contractual Arrangements, as a whole, are designed to provide the Group with effective control over the financial and operational policies of Car-T Biotech, to the extent permitted by PRC laws and regulations, which enable Car-T (WFOE) to, among others, (i) receive substantially all of the economic benefits from Car-T Biotech in consideration for the services provided by Car-T (WFOE) to Car-T Biotech; (ii) exercise effective control over Car-T Biotech; and (iii) hold an exclusive option to acquire all or part of the equity interests and/or assets in Car-T Biotech when and to the extent permitted by PRC laws and regulations. The Contractual Arrangements consist of a series of agreements, including (i) the Exclusive Business Cooperation Agreement; (ii) the Voting Rights Proxy Agreement and Powers of Attorney; (iii) the Exclusive Option Agreement; and (iv) the Equity Pledge Agreement, each of which is an integral part of the Contractual Arrangements.

### Summary of the material terms of the Contractual Arrangements

The following simplified diagram illustrates the flow of economic benefits from Car-T Biotech to Car-T (WFOE) stipulated under the Contractual Arrangements:



#### Notes:

1. Payment of service fees from Car-T Biotech to Car-T (WFOE) in exchange of the provision of technical services, management support, consulting services and other necessary services. Please see “Exclusive Business Cooperation Agreement” below for details.
2. Exclusive call option to acquire all or part of the Registered Shareholders’ equity interest in Car-T Biotech and/or all or part of the assets of Car-T Biotech. Please see “Exclusive Option Agreement” below for details.
3. Entrustment of shareholders’ rights of the Registered Shareholders. Please see “Voting Rights Proxy Agreement and Powers of Attorney” below for details.
4. Pledge of equity interest by the Registered Shareholders of their equity interest in Car-T Biotech. Please see “Equity Pledge Agreement” below for details.

A description of each of the specific agreements and relevant confirmations that comprise the Contractual Arrangements is set out below.

- (1) ***Exclusive Business Cooperation Agreement***: Car-T Biotech, Car-T (WFOE) and all the Registered Shareholders will enter into an exclusive business cooperation agreement (the “**Exclusive Business Cooperation Agreement**”) and will become effective upon Completion, pursuant to which Car-T Biotech shall agree to engage Car-T (WFOE) as its exclusive provider of management, consultancy, technical support, business support, logistics services and other necessary services to Car-T Biotech from time to time to the extent permitted under PRC laws and regulations for conducting business operations, in return for which Car-T Biotech will pay Car-T (WFOE) operations service fees.

The Exclusive Business Cooperation Agreement shall seek to ensure that all of the profits or income generated by Car-T Biotech will be directed to Car-T (WFOE) in the form of service fees. For services provided by Car-T (WFOE) under the Exclusive Business Cooperation Agreement, Car-T Biotech shall pay a service fee equal to 100% of the net profit of Car-T Biotech after deducting taxes, costs and expenses incurred during the course of business. Furthermore, Car-T Biotech shall pay a services fee for specific service provided by Car-T (WFOE) at the request of Car-T Biotech from time to time as separately agreed upon between Car-T (WFOE) and Car-T Biotech. Car-T (WFOE), and Car-T Biotech shall agree that the payment of the aforementioned service fee shall in principle not cause Car-T (WFOE) and Car-T Biotech to suffer operational difficulties for that year. For the aforementioned purpose and to the extent necessary to carry out the aforementioned principle, Car-T (WFOE) may agree for Car-T Biotech to postpone payment of the service fee, with Car-T (WFOE)’s approval.

- (2) ***Voting Rights Proxy Agreement and Powers of Attorney***: Car-T Biotech, all the Registered Shareholders and Car-T (WFOE) will enter into the voting rights proxy agreement and will become effective upon Completion, pursuant to which, each Registered Shareholder, through the power of attorney, shall irrevocably and exclusively appoint Car-T (WFOE) and/or its appointee, but excluding any person who is not independent from the Registered Shareholders or may give rise to any conflict of interest, as his attorney-in-fact to exercise such shareholder’s rights in Car-T Biotech.
- (3) ***Exclusive Option Agreement***: Car-T Biotech, Car-T (WFOE) and all the Registered Shareholders will enter into an exclusive option agreement (the “**Exclusive Option Agreement**”) and will become effective upon Completion, pursuant to which all the Registered Shareholders would jointly and severally grant Car-T (WFOE) the irrevocable and exclusive rights to require the Registered Shareholders to transfer their equity interests in Car-T Biotech to Car-T (WFOE) and/or a third party designated by it, in whole or in part at any time and from time to time, at the minimum purchase price permitted under the PRC laws and regulations. Car-T Biotech and the Registered Shareholders would grant Car-T (WFOE) and/or a third party designated by it the irrevocable and exclusive rights to acquire the assets in Car-T Biotech, in whole or in part at any time and from time to time, at the minimum purchase price permitted under the PRC laws and regulations.

- (4) **Equity Pledge Agreement:** Car-T Biotech, Car-T (WFOE) and all the Registered Shareholders will enter into an equity pledge agreement (the “**Equity Pledge Agreement**”) and will become effective upon Completion, pursuant to which each of the Registered Shareholders would agree to pledge all of their respective equity interests in Car-T Biotech to Car-T (WFOE) as a security interest to guarantee the performance of contractual obligations under the Contractual Arrangements.
- (5) **Confirmations from the individual Registered Shareholders:** Each of the individual Registered Shareholders will make confirmations to the effect that (i) her/his spouse does not have the right to claim any interests in Car-T Biotech (together with any other interests therein) or exert influence on the day-to-day management of Car-T Biotech; and (ii) in the event of her/his death, incapacity, divorce or any other events which causes her/his inability to exercise her/his rights as a shareholder of Car-T Biotech, she/he will take necessary actions to safeguard her/his interests in Car-T Biotech (together with any other interests therein), and her/his successors (including her/his spouse) will not claim any interest in Car-T Biotech (together with any other interests therein) to the effect that the respective individual Registered Shareholders’ interests in Car-T Biotech shall not be affected.
- (6) **Spousal Undertakings:** The spouse of each of the individual Registered Shareholders shall sign and execute a written consent to the effect that (i) she/he acknowledges and consents that the respective individual Registered Shareholders enter into the Contractual Arrangements and the amendments and termination of the Contractual Arrangements do not require her/his further consents under the Contractual Arrangements; (ii) the respective individual Registered Shareholder’s interest in Car-T Biotech (together with any other interests therein) do not fall within the scope of communal properties; and (iii) she/he has no right to, or control over, such interests of the respective individual Registered Shareholder and will not have any claim on such interests.

The Contractual Arrangements also contain provisions for protection of the interests and benefits of Car-T (WFOE) in the event of the bankruptcy of the corporate Registered Shareholder, or the dissolution or liquidation of Car-T Biotech, as well as a dispute resolution mechanism. Furthermore, effective internal controls will be put in place over Car-T (WFOE) and Car-T Biotech to safeguard its assets held through the Contractual Arrangements.

### **Legality of the Contractual Arrangements**

Based on the applicable PRC laws and regulations and the confirmation received from the Shanghai Municipal Health Commission\* (上海市衛生健康委員會), the PRC Legal Advisers are of the view that the Contractual Arrangements do not violate the applicable PRC laws and regulations, subject to the agreements constituting the Contractual Arrangements (the “**Structured Agreements**”) being entered into and on condition of the fulfillment of all the following factors in accordance with the applicable PRC laws and regulations and upon completion of the Reorganisation:

- (i) that Car-T Biotech, Car-T (WFOE) and the corporate Registered Shareholders be duly established and validly existing, and their respective establishment be valid, effective and compliant with the relevant PRC laws and regulations;

- (ii) that each of the Structured Agreements be duly entered into between the Registered Shareholders, Car-T Biotech and Car-T (WFOE);
- (iii) that both Car-T Biotech and Car-T (WFOE) be duly authorised in accordance with the relevant PRC laws and regulations and their respective articles of association to enter into the Structured Agreements, and each of the Structured Agreements not be in violation of the provisions of the articles of association of each of Car-T Biotech and Car-T (WFOE); and
- (iv) that each of the Structured Agreements be legal, valid and binding on the parties thereto, and that none of the them be void or would be deemed void under the Contract Law of the PRC ( 中華人民共和國合同法 ) and/or other relevant PRC laws.

If the PRC government finds that the agreements that establish the structure for operating the Relevant Business in the PRC do not comply with PRC laws and regulations, or if these regulations or their interpretations change in the future, the Company could be subject to severe consequences and the relinquishment of our interests in Car-T Biotech. For further information, please refer to the section headed “Risks relating to Contractual Arrangements” below.

### **Compliance with the Contractual Arrangements**

The Group has adopted the following measures to ensure the effective operation of the Group with the implementation of the Contractual Arrangements and to ensure compliance with the Contractual Arrangements:

- (a) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion as they arise;
- (b) the Board will review the overall performance of, and compliance with, the Contractual Arrangements at least once a year;
- (c) the Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports; and
- (d) the Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of Car-T Biotech and Car-T (WFOE) to deal with specific issues or matters arising from the Contractual Arrangements.

The Board is of the view that the above internal control measures will provide a reasonably adequate and effective internal control framework to assist the Company in identifying and monitoring any material risks relating to the implementation and compliance with the Contractual Arrangements.

## **Board's view on the Contractual Arrangements**

Based on the above and upon completion of the Reorganisation, the Board is of the view that the Contractual Arrangements are an effective mechanism to facilitate Car-T (WFOE)'s significant control over the finance and business operations of Car-T Biotech so as to obtain the economic interest and benefits from Car-T Biotech's business activities notwithstanding the lack of registered equity ownership in Car-T Biotech and is enforceable under the relevant laws and regulations. Pursuant to the relevant provisions of the Contractual Arrangements, Car-T (WFOE) has the right to unwind the Contractual Arrangements as soon as the relevant PRC rules and regulations governing foreign investment in Relevant Business are issued which allow Car-T (WFOE) to register itself as shareholder of Car-T Biotech. Each of the Vendors has undertaken that in the event that the applicable laws of the PRC allows Car-T (WFOE) to operate the business operated by Car-T Biotech without the Contractual Arrangements in the future, he/she shall unwind the Contractual Arrangements. The Board considers that there would be no material impact of such arrangements on the Company's operations and financial position. In the event the unwinding of the Contractual Arrangements might have any implications on the GEM Listing Rules and/or the Takeovers Code, the Company will make further announcement(s) and comply with the applicable rules and provisions under the GEM Listing Rules and/or the Takeovers Code as and when necessary.

## **Potential continuing connected transactions upon Completion**

Upon Completion, the Vendors will become the connected persons of the Company under Rule 20.07(1) of the GEM Listing Rules. Upon Completion, Car-T Biotech shall be owned as to 100% by the Vendors and shall hence become an associate of the Vendors. Therefore, Car-T Biotech is a connected person of the Company under Rule 20.12(1)(c) of the GEM Listing Rules. Accordingly, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of the Company under the GEM Listing Rules. Notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing transactions, contracts and agreements to be entered into, among others, by Car-T Biotech and any member of the Target Group technically constitute continuing connected transactions under Chapter 20 of the GEM Listing Rules, the Directors consider that, it would be unduly burdensome and impracticable and would add unnecessary administrative costs to the Company if such transactions were subject to strict compliance with the requirements set out under Chapter 20 of the GEM Listing Rules, including, among others, the announcement, circular and independent shareholders' approval requirements. In view of the Contractual Arrangements, the Company will apply to the Stock Exchange for a waiver from strict compliance with the requirements of (i) the announcement, circular and independent shareholders' approval in respect of the transactions contemplated under any new intergroup agreements pursuant to Rule 20.103 of the GEM Listing Rules; (ii) setting an annual cap for the transactions contemplated under any new intergroup agreements under Rule 20.51 of the GEM Listing Rules; and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 20.50 of the GEM Listing Rules.

Further details of the Contractual Arrangements will be disclosed in the Circular to be despatched to the Shareholders.

## RISKS RELATING TO CONTRACTUAL ARRANGEMENTS

**If the PRC government finds that the Contractual Arrangements establishing effective control over the operation of the bioengineering, medical research and development with related fields of stem-cells business in the PRC do not comply with PRC laws and regulations, or if these regulations or their interpretations change in the future, the Company could be subject to severe consequences and the relinquishment of its interests in Car-T Biotech.**

Current applicable PRC laws and regulations impose prohibitions on foreign ownership of companies that engage in development and application of human stem cells (人體幹細胞技術開發和應用). To comply with the applicable PRC laws and regulations, the Company intends to conduct the bioengineering in stem cells business in the PRC through Car-T Biotech which shall conduct operations of the Relevant Business based on a series of Structured Agreements entered into among Car-T (WFOE), Car-T Biotech, and the Registered Shareholders. As a result of these Contractual Arrangements, the Company shall assert management control over the operations of, and enjoy substantially all the economic benefits of Car-T Biotech.

There are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations. The relevant PRC regulatory authorities have broad discretion in determining whether a particular contractual structure violates PRC laws and regulations. If the Company is found in violation of any PRC laws or regulations or if the Contractual Arrangements are determined as illegal or invalid by any PRC court, arbitral tribunal, or regulatory authorities, the relevant governmental authorities would have broad discretion in dealing with such violation, including, without limitation, to (i) revoke the Structured Agreements; (ii) revoke the relevant business and operating licences of Car-T Biotech; (iii) require Car-T Biotech to discontinue or restrict the operations; (iv) restrict the right to collect revenue from Car-T Biotech; (v) shut down a substantial part of the Relevant Business; (vi) levy fines on Car-T Biotech and/or confiscate the proceeds that is deemed to have been obtained by Car-T Biotech through non-compliant operations; (vii) require Car-T Biotech to restructure the operations in such a way as to compel Car-T Biotech to establish a new enterprise, re-apply for the necessary licences, or relocate the businesses, staff, and assets; (viii) impose additional conditions or requirements with which Car-T Biotech may not be able to comply; and/or (ix) take other regulatory or enforcement actions that could be harmful to the Relevant Business.

Furthermore, any of the assets under the name of any Registered Shareholders of equity interest in Car-T Biotech, including such equity interest, may be put under court custody in connection with litigation, arbitration, or other judicial or dispute resolution proceedings against that record holder. The Company cannot be certain that the equity interest will be disposed of in accordance with the Contractual Arrangements. In addition, new PRC laws, rules, and regulations may be introduced to impose additional requirements that may pose additional challenges to the corporate structure and Contractual Arrangements. The occurrence of any of these events or the imposition of any of these penalties may result in a material and adverse effect on the ability to conduct Car-T Biotech's business. In addition, if the imposition of any of these penalties causes Car-T (WFOE) to lose the right to direct the activities of Car-T Biotech or the right to receive its economic benefits, the Company would no longer be able to consolidate the results of Car-T Biotech, which will adversely affect the results of Car-T Biotech's operation.

## **There is substantial uncertainty with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of the current corporate structure, corporate governance, and business operations**

The Foreign Investment Law of the PRC\* ( 中華人民共和國外商投資法 ) (hereafter the “**Foreign Investment Law**”) formally adopted by the second session of the thirteenth National People’s Congress on 15 March 2019, which came into effect on 1 January 2020, does not mention certain concepts, including “**actual control**” or “**controlling PRC companies by contracts or trusts**”, nor does it specify regulation on control effected through contractual arrangements. Since the Foreign Investment Law is new, there are substantial uncertainties with respect to its implementation and interpretation and it is also possible that variable interest entities will be deemed as foreign-invested enterprises and be subject to restrictions or prohibitions in the future. Such restrictions or prohibitions may cause interruptions to the current corporate structure, corporate governance, and business operations, which may in turn materially, and adversely affect the business, financial condition, and results of operations.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

While the Company devotes most of its efforts to developing its existing businesses, the Directors consider that it is beneficial for the Company to seek new additional attractive investment opportunities from time to time to develop its existing business portfolio and to engage in a new line of business with growth potential and broaden its source of income. The Acquisition is a prime opportunity to diversify the Group’s business portfolio and to cater for a niche industry with high barriers to entry. Car-T Biotech is already generating profit and the historical financial performance of Car-T Biotech reflects the ability to generate stable cashflow and to remain profitable in the future. Car-T Biotech provides a unique value proposition and creates additional value for the Shareholders. The Directors are of the view that the Acquisition will also benefit the Company and its Shareholders by providing both industry and geographical diversification, while decreasing the sensitivity of its income streams to bouts of market volatility. After considering the above, the Directors are of the view that the Acquisition is in the best interests of the Company and its Shareholders as a whole.

## **Biotechnology and stem cell outlook**

Biotechnology is the innovative research area and field that utilises biological systems, living organisms, cells or cellular components to develop or create different products and technologies with medical, agricultural and environmental applications. As an important part of the PRC’s technology development, biotechnology is indispensable in the process of medical innovations. According to the National Bureau of Statistics of China\*, the number of biomedical companies in China revealed a general trend of increase from 855 companies in 2013 to 1,055 companies in 2018. The market scale of the biotechnology industry has reached RMB355.4 billion in 2018 with a yearly increase of 4%. According to the “Thirteenth Five-Year Plan” issued by the National Development and Reform Commission in December 2016, the compound annual growth rate (“**CAGR**”) of the market scale of the biotechnology industry was over 15% since the issuance of “Twelfth Five-Year Plan” and the industrial scale in 2015 exceeded RMB3.5 trillion. By 2020, the scale of the biotechnology industry is expected to be in excess of RMB8 trillion and the added value of the biotechnology industry will account for more than 4% of GDP in the PRC, becoming the leading industry of the national economy.



Stem cells are the seed cells of the human body and are considered as the “universal cells” to cure or expand the possibilities of the initiative treatments on various diseases in the medical community. Different products or techniques based on stem cells also provide new methods to effectively repair important human tissue and organ damage by reproducing the respective cells from the stem cells. The global stem cell market was valued at about US\$17.4 billion in 2018 and is expected to grow to US\$28.49 billion at a CAGR of 13.1% through 2022. North America was the largest region in the stem cell market in 2018 and is expected to remain the largest during the next five years. In the PRC, the medical and commercial application of stem cells related technology mainly focus on the stem cell treatment medical service, the stem cell storage service and stem cell pharmaceutical manufacturing, where Car-T Biotech operates. According to the Prospective Industry Research Institute, an independent research institute which has obtained the Foreign-Related Investigation License issued by National Bureau of Statistics of China, the stem cell medical market size is expected to reach RMB78.5 billion in 2019 and is predicted to exceed RMB130 billion in 2024 at a CAGR of approximately 11% in the coming five years. With the contribution of the large population base, China has become a major country for stem cell storage worldwide. However, the neonatal penetration rate of stem cell storage in China is still far from that in developed countries. With the continuous development of indications and clinical development of stem cell therapy, emphasis on the clinical treatment and storage of stem cells will continue to increase.

Dental pulp stem cells are the stem cells located inside the tooth with the similar immune phenotype and the ability to form mineralized nodules as marrow mesenchymal stem cells. Dental pulp stem cells can be applied for the treatment of more than 200 diseases, such as diabetes, stroke, cerebral palsy, myocardial infarction, arthritis and periodontitis, and have been applied to anti-aging treatment, immune system regulation, and sub-healthy conditioning. According to the National Dental Pulp Laboratory, 20-year storage price for deciduous teeth falls between US\$2,480 and US\$7,277. There are several options for cryopreservation service of stem cells.

Car-T Biotech was incorporated on 31 December 2015 and commenced business in February 2016 in (i) bioengineering, medical research and development with related fields of stem-cells and other related healthcare services; and (ii) patents licensing of pharmaceutical composition for use in emergency treatment and preparation method thereof in the PRC. As advised by the Vendors, Car-T Biotech is a member of the Asia Pacific Precision Medicine Alliance\* (亞太精准醫療行業聯盟), a voluntary industry organisation in the precision medicine section in Asia Pacific and one of the largest precision medicine organisations in the region with more than 3,000 global members and 300 global think tank experts. Car-T Biotech received the award of “Most Influential Precision Medical Leadership Award (最具影響力精准醫療領袖企業獎)” from the Asia Pacific Precision Medicine Alliance in 2018.

As advised by the Vendors, Car-T Biotech plans to focus on: (i) setting up a cell storage centre; (ii) research and development; and (iii) the transfer of clinical research results into clinical applications by establishing a comprehensive clinical trial management system.

*(i) Set up a cell storage centre*

The cell storage centre (the “**Storage Centre**”) will provide nationwide storage services for dental pulp stem cells (DPSCs) nationwide by collecting the primary and permanent teeth of donors and providing a facility for DPSCs storage. The Storage Centre aims to (i) create and build a base for cell preparation production in the cell production chain and raw material for clinical application; (ii) actively develop the technologies for isolation, cultivation and cryopreservation of oral stem cells; (iii) establish oral stem cells from identification and an industrial-level technology system designed to cultivate such cells at a low and stable temperature for a prolonged period of time; (iv) enhance and optimise technical conditions by creating clinical application standards and Standard Operation Procedure (SOP) for clinical stem cell sources.

*(ii) Research and development*

The cell quality control and preparation centre (the “**QC and Preparation Centre**”) is mainly engaged in the in vitro identification, isolation, purification, culture expansion, collection of cryopreservation, quality control, cell resuscitation, product transportation research, new technology development and other related work. The core cell research and development team of the QC and Preparation Centre consists of leading professionals within the field including cell and biological product research and development and production and quality control implementation. The cell technical team consists of numerous doctors in medicine, biology, pharmacy and other professional disciplines with full and complete sets of techniques related to basic research, production and clinical application of oral stem cells. The professional teams have (i) established oral stem cell influential factor tests, accelerated tests, long-term tests and freeze-thaw tests to investigate the stability of stem cells under different conditions; (ii) explored the storage conditions and expiration of oral stem cells; (iii) determined packaging materials and containers; (iv) guaranteed that characteristics of the oral stem cell biology remain stable; and (v) established cell preparation standard systems, storage standard systems and quality control systems which are above the national requirements.

***(iii) Transfer clinical research results into clinical applications by establishing a comprehensive clinical trial management system***

Through the establishment of a comprehensive clinical trial management system including a project risk management system, a project implementation management system, an AI safety evaluation management system, and a strict quality supervision system, each clinical research project that is carried out must be at zero risk with high standards and 100% in compliance with relevant regulations. This protects and guarantees the rights and interests of all subjects during the clinical research trials. Car-T Biotech has formed an independent clinical research innovation system in the field of cells which improves its biotechnology clinical transformation and innovation capabilities. The hospitals are currently cooperating (i) in stem cell clinical research include Changhai Hospital which is affiliated with the Naval Military Medical University and Nanjing Gulou Hospital; and (ii) in clinical research on immune cells which include the Changhai Hospital and the Oriental Hepatobiliary Surgery Hospital, both being affiliated to the Naval Military Medical University, and Fujian Medical University Mengchao Hepatobiliary Hospital and the Guangdong Provincial People's Hospital.

The Board noted that the allotment and issuance of the Consideration Shares will cause a significant dilution impact on the existing shareholding structure. However, the settlement of the Consideration under the Sale and Purchase Agreement, in part, through the issuance of Consideration Shares allows the Company to minimise its funding costs.

Despite the fact that:

- (a) none of the Directors have experience in the biotechnology and healthcare-related industry in the PRC. As at the date of this announcement, the Company does not intend to make any changes to the board of Car-T Biotech. Furthermore, there are no current plans for any member from the Board or the Company's senior management to perform any of the key management functions at Car-T Biotech. The Company plans to rely on the experience of the chief executive officer and the senior management of Car-T Biotech for input as well as to continue delivering on its business objectives. After Completion, the Company intends to appoint at least one of the existing directors and senior management of Car-T Biotech, who are experienced in the biotechnology industry, to join the Board. Pursuant to the Sale and Purchase Agreement, the Vendors undertake to retain the key personal of Car-T Biotech, including Mr. Li, Mr. Bi, Mr. Song Zhong Wei (宋忠偉), Ms. Bai Yun (白雲), Ms. Yang Hong (楊紅), Mr. Shao Xiaohu (邵小虎) and Mr. Liu Feng (劉峰). The Company may also consider whether to recruit additional management, who are experienced in biotechnology and healthcare-related industry, to assist in the management and monitoring of Car-T Biotech after Completion;

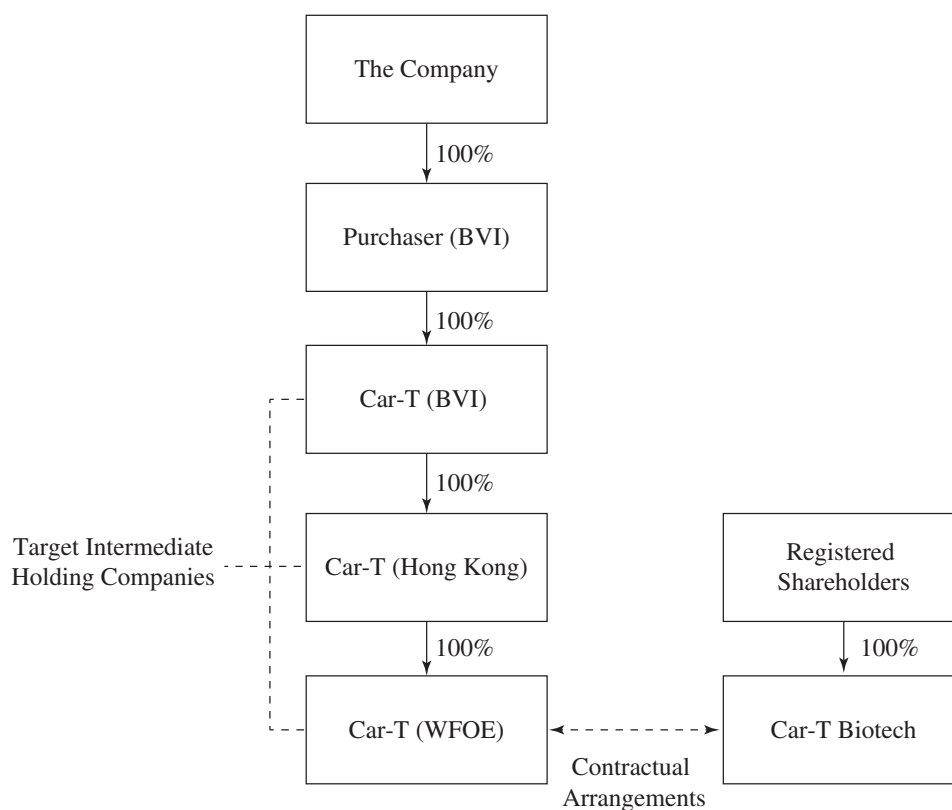
- (b) the allotment and issuance of the Consideration Shares will cause significant dilution impact on the existing shareholding structure, the settlement of the Consideration under the Sale and Purchase Agreement, in part, through the issuance of Consideration Shares shall allow the Company to minimise its funding costs; and
- (c) there is substantial uncertainty with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance, and business operations. For details of which please refer to the section headed “Risks relating to Contractual Arrangements” above,

the Directors (excluding the non-executive Director and the independent non-executive Directors, who will give their opinion based on the recommendation from the independent financial adviser to be appointed) are of the view that the Acquisition will be beneficial to the Shareholders as a whole, and that the benefits of the Acquisition, including the broadening of the Group’s income stream, would out weight any the adverse impact of the dilution effect.

The Directors (excluding the non-executive Director and the independent non-executive Directors, who will give their opinion based on the recommendation from the Independent Financial Adviser to be appointed) are of the view that the terms, including the Consideration, of the Sale and Purchase Agreement are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company currently intends to continue its existing business and there is no agreement, arrangement, understanding, intention or negotiation (concluded or otherwise) regarding any disposal, termination or scaling down of the Group’s existing businesses or assets up to the date of this announcement. After the Acquisition, the Company may restructure its trading and distribution business according to the development of the consumer goods market and the then market conditions.

Set out below is the simplified shareholding structure of the Enlarged Group upon completion of the Acquisition:



## FINANCIAL IMPACTS ON THE COMPANY

Following Completion, through the Contractual Arrangements, the Target Intermediate Holding Companies and Car-T Biotech will become indirect wholly-owned subsidiaries of the Company and the results, assets and liabilities of Car-T Biotech will be combined into the financial statements of the Group. After Completion, any difference between the Consideration paid and the net assets of the Target Group would be recognised as goodwill (or a discount on the acquisition in case the difference is negative in amount). Intangible assets may be identified and recognised separately from goodwill upon completion of the valuation to be performed by an independent valuer. The financial impact arising from the Acquisition will be subject to audit by the Company's auditors. Further details of the financial impact of the Acquisition will be disclosed in the Circular to be despatched to the Shareholders.

## EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the date of this announcement and immediately before Completion (assuming there will be no change in the issued shares capital of the Company between the date of this announcement and the Completion Date); (ii) assuming the issue and allotment of the Consideration Shares, but before placing down by Sky Alpha; and (iii) immediately after the issue and allotment of the Consideration Shares and placing down by Sky Alpha:

Shareholder	As at the date of this announcement and immediately before Completion		Assuming the allotment and issuance of the Consideration Shares, but before placing down by Sky Alpha (Note 21)		Immediately after the allotment and issuance of the Consideration Shares and placing down by Sky Alpha	
	Number of issued Shares	% (approximate)	Number of issued Shares	% (approximate)	Number of issued Shares	% (approximate)
Sky Alpha (Note 1)	602,800,000	51.9	602,800,000	14.0	86,500,000	2.0
<b>Vendors Concert Group:</b>						
BVI 1 (Note 2)	–	–	1,233,078,000	28.7	1,233,078,000	28.7
BVI 2 (Note 3)	–	–	512,762,000	11.9	512,762,000	11.9
BVI 3 (Note 4)	–	–	13,502,000	0.3	13,502,000	0.3
BVI 4 (Note 5)	–	–	171,130,000	4.0	171,130,000	4.0
BVI 5 (Note 6)	–	–	93,572,000	2.2	93,572,000	2.2
BVI 6 (Note 7)	–	–	271,610,000	6.3	271,610,000	6.3
BVI 7 (Note 8)	–	–	90,432,000	2.1	90,432,000	2.1
BVI 8 (Note 9)	–	–	94,200,000	2.2	94,200,000	2.2
BVI 9 (Note 10)	–	–	113,040,000	2.6	113,040,000	2.6
BVI 10 (Note 11)	–	–	75,360,000	1.8	75,360,000	1.8
BVI 11 (Note 12)	–	–	67,824,000	1.6	67,824,000	1.6
BVI 12 (Note 13)	–	–	57,148,000	1.3	57,148,000	1.3
BVI 13 (Note 14)	–	–	56,520,000	1.3	56,520,000	1.3
BVI 14 (Note 15)	–	–	54,636,000	1.3	54,636,000	1.28
BVI 15 (Note 16)	–	–	50,554,000	1.2	50,554,000	1.2
BVI 16 (Note 17)	–	–	9,106,000	0.2	9,106,000	0.2
BVI 17 (Note 18)	–	–	53,694,000	1.2	53,694,000	1.2
BVI 18 (Note 19)	–	–	90,746,000	2.1	90,746,000	2.1
BVI 19 (Note 20)	–	–	31,086,000	0.7	31,086,000	0.8
<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>3,140,000,000</b>	<b>73.0</b>	<b>3,140,000,000</b>	<b>73.0</b>
Public Shareholders	559,200,000	48.1	559,200,000	13.0	1,075,500,000	25.0
<b>Total</b>	<b>1,162,000,000</b>	<b>100.0</b>	<b>4,302,000,000</b>	<b>100.0</b>	<b>4,302,000,000</b>	<b>100.0</b>

*Notes:*

1. Sky Alpha is beneficially owned as to 58.38% by Mr. Wong Siu Man, an executive Director, 38.92% by Mr. Wong Siu Wa, an executive Director and 2.7% by Glory Concord Limited. Mr. Wong Siu Man and Mr. Wong Siu Wa are therefore deemed to be interested in 602,800,000 Shares under the SFO. Mr. Wong Siu Man and Mr. Wong Siu Wa are siblings.
2. The BVI 1 is to be wholly owned by Mr. Li pursuant the Reorganisation.
3. The BVI 2 is to be wholly owned by Mr. Bi pursuant the Reorganisation.
4. The BVI 3 is to be wholly owned by Mr. Liu Qi pursuant the Reorganisation.
5. The BVI 4 is to be wholly owned by Mr. Lu Hong Yi pursuant the Reorganisation.
6. The BVI 5 is to be wholly owned by Mr. Zheng Hong Lin pursuant the Reorganisation.
7. The BVI 6 is to be owned as to approximately 45.64% by Ms. Hu Bei Lei, 45.64% by Ms. Hu Chun Lei and 8.71% by Mr. Hu Rui Xian pursuant the Reorganisation. Ms. Hu Bei Lei and Ms. Hu Chun Lei are siblings and Mr. Hu Rui Xian is their father.
8. The BVI 7 is to be owned as to approximately 50% by Mr. Xu Xiao and 50% by Ms. Tao Yinfang pursuant the Reorganisation.
9. The BVI 8 is to be wholly owned by Ms. Yan Rui pursuant the Reorganisation.
10. The BVI 9 is to be wholly owned by Mr. Mao Jun Liang pursuant the Reorganisation.
11. The BVI 10 is to be owned as to approximately 35.83% by Mr. Guo Xiao Chun, 32.08% by Mr. Wang Xing, 28.33% by Mr. Chen Kui Feng and 3.75% by Ms. Shen Lu pursuant the Reorganisation.
12. The BVI 11 is to be owned as to approximately 53% by Mr. Cai Kai Xiang and 47% by Mr. Cai Zhi Jian pursuant the Reorganisation.
13. The BVI 12 is to be owned as to approximately 68.25% by Mr. Xu Xiao Qi, 15.87% by Ms. Liu Ying Ying and 15.87% by Ms. Lan Qiao Wen pursuant the Reorganisation.
14. The BVI 13 is to be owned as to approximately 80% by Mr. Bi Jun Chang and 20% by Mr. Zhang Wen Jian pursuant the Reorganisation.
15. The BVI 14 is to be owned as to approximately 50% by Mr. Peng Xian Jin, 33.33% by Mr. Peng Bo and 16.67% by Mr. Li Ji Feng pursuant the Reorganisation.
16. The BVI 15 is to be wholly owned by Mr. Wu Wei pursuant the Reorganisation.
17. The BVI 16 is to be wholly owned by Mr. Shan Ji pursuant the Reorganisation.

18. The BVI 17 is to be wholly owned by Mr. Chen Li pursuant the Reorganisation.
19. The BVI 18 is to be owned as to approximately 50% by Mr. Fu Xiao Yang and 50% by Ms. Qin Mei Lin pursuant the Reorganisation.
20. The BVI 19 is to be owned as to approximately 28.56% by Mr. Dai Xiang Dong, 14.29% by Mr. Xu Jun, 14.29% by Mr. Zhao Qian, 14.29% by Ms. Zhang Pei Lian, 14.29% by Ms. Gong Li Qiong and 14.29% by Ms. Zhong Shao Bo pursuant the Reorganisation.
21. The scenario “Assuming the allotment and issuance of the Consideration Shares, but before placing down by Sky Alpha” is for illustrative purpose only and will not occur, given that the Consideration Shares will only be issued and allotted upon Completion and the disposal and/or placing down of a certain number of Shares by Sky Alpha shall be completed prior to Completion, the details of which are set out in the paragraph headed “Conditions Precedent” in this announcement.
22. The above percentage figures have been subject to rounding adjustments. Accordingly, figure shown as total may not be an arithmetic aggregation of the figures preceding it. These scenarios are for illustration purpose only.

## **PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

As at the date of this announcement, the authorised share capital of the Company is HK\$20,000,000.00 divided into 2,000,000,000 Shares, of which 1,162,000,000 Shares have been issued and are fully paid or credited as fully paid up. Subject to completion of the Acquisition, the Company shall allot and issue 3,140,000,000 new Shares in aggregate.

In order to provide the Company with flexibility for fund raising by allotting and issuing new Shares (including the Consideration Shares) in the future as and when appropriate for future investment opportunities and other corporate purposes, the Board proposes to increase the authorised share capital of the Company from HK\$20,000,000.00 divided into 2,000,000,000 Shares to HK\$1,000,000,000.00 divided into 10,000,000,000 Shares through the creation of an additional 8,000,000,000 new Shares, all of which will rank *pari passu* with the existing Shares. The proposed Increase in Authorised Share Capital is conditional upon the passing of an ordinary resolution by the Shareholders at the EGM.

## **GEM LISTING RULES IMPLICATIONS**

The Acquisition constitutes (i) a very substantial acquisition for the Company under Chapter 19 of the GEM Listing Rules as the applicable percentage ratios in respect of the Acquisition exceed 100%; and (ii) a reverse takeover of the Company under Rule 19.06B of the GEM Listing Rules as the issuance of the Consideration Shares will result in a change in control (as defined under the Takeovers Code) of the Company.

The Sale and Purchase Agreement and the transactions contemplated thereunder, including the issuance of the Consideration Shares and Promissory Notes and the Specific Mandate will be subject to the approval of the relevant resolution(s) by the Independent Shareholders at the EGM.



Under Rule 19.54 of the GEM Listing Rules, the Company will be treated as if it were a new listing applicant. The Acquisition is therefore also subject to approval from by the GEM Listing Committee of a New Listing Application to be made by the Company. Such New Listing Application is required to comply with all of the requirements under the GEM Listing Rules, in particular the requirements under Chapters 11 and 12 of the GEM Listing Rules. As at the date of this announcement, none of the relevant materials regarding the New Listing Application has been submitted to the Stock Exchange and the Company will initiate the New Listing Application process as soon as practicable. Assuming that there is no material delay in the existing tentative timetable, the submission of the New Listing Application is expected to be made to the Stock Exchange on or before 31 July 2020.

The GEM Listing Committee may or may not grant its approval of the New Listing Application.

### **IMPLICATIONS UNDER TAKEOVERS CODE AND APPLICATION OF WHITEWASH WAIVER**

As at the date of this announcement, the Vendors Concert Group is not interested in any Shares. Immediately after Completion, the Vendors Concert Group will be entitled to exercise and control approximately 73.0% of the issued share capital of the Company as enlarged by the issuance of the Consideration Shares upon Completion.

In the absence of the Whitewash Waiver, the Vendors Concert Group will be required to make a mandatory general offer for all the issued Shares other than those already owned or agreed to be acquired by the Vendors Concert Group under Rule 26.1 of the Takeovers Code.

In this regard, the Vendors Concert Group will make an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code, which, if granted by the Executive, will be subject to approval by 75% of the Independent Shareholders taken by way of poll at the EGM. If the Whitewash Waiver is not granted or not approved by 75% of the Independent Shareholders, the Sale and Purchase Agreement will lapse and the Acquisition will not proceed. The Whitewash Waiver, if granted, will also be subject to, among other things, approval by the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder and the Specific Mandate at the EGM where voting on the relevant resolution(s) shall be taken by poll.

**The Executive may or may not grant the Whitewash Waiver and the Independent Shareholders may or may not approve the Whitewash Waiver. The Acquisition will not proceed if the Whitewash Waiver is not so granted or approved.**

As at the date of this announcement, except for the consents and approvals as set out in the paragraph headed “Conditions Precedent” under the section headed “The Sale and Purchase Agreement” of this announcement, the Directors are not aware of any other compliance obligations under the applicable rules or regulations (including the GEM Listing Rules). As at the date of this announcement, the Company does not believe that the Acquisition gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the GEM Listing Rules). If a concern should arise after the release of this announcement, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the Circular. The Company notes that the Executive may not grant the Whitewash Waiver if the Acquisition does not comply with other applicable rules and regulations.

## **INFORMATION REQUIRED UNDER THE TAKEOVERS CODE**

As at the date of this announcement, the issued share capital of the Company comprises 1,162,000,000 Shares and, the Company does not have any options, warrants or convertible securities in issue.

As at the date of this announcement, the Vendors Concert Group confirms that none of the members of the Vendors Concert Group:

- (i) has, except for entering into the Sale and Purchase Agreement, during the six-month period prior to the date of the Sale and Purchase Agreement and during the period between the date of the Sale and Purchase Agreement and this announcement, acquired or entered into any agreement or arrangement to acquire any voting rights in the Company;
- (ii) is, except for the Consideration Shares to be issued under the Acquisition, interested in any issued Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company as at the date of this announcement;
- (iii) has entered into any derivatives which is outstanding as at the date of this announcement in respect of any securities in the Company;
- (iv) holds, controls or has direction over, as at the date of this announcement, any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (v) has, as at the date of this announcement, borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (vi) has any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or the any member of the Vendors Concert Group, which might be material to the Acquisition, the Specific Mandate and/or the Whitewash Waiver, with other persons;

- (vii) has, as at the date of this announcement, made any agreement or arrangement which relates to circumstances in which he/it may or may not invoke or seek to invoke a precondition or a condition to the Acquisition, the Specific Mandate and/or the Whitewash Waiver, other than the Conditions Precedent set out in this announcement; or
- (viii) has, as at the date of this announcement, received any irrevocable commitment to vote for or against the Acquisition, the Specific Mandate and/or the Whitewash Waiver.

The Company confirms, as at the date of this announcement:

- (i) save for the Consideration, there is no consideration, compensation, or benefit in whatever form paid by or payable by any of the Shareholders to any member of the Vendors Concert Group, and vice versa; and
- (ii) there is no understanding, arrangement, or agreement or special deals (as defined under Rule 25 of the Takeovers Code) between any Shareholders, and (1) any member of the Vendors Concert Group; or (2) the Group, on the other hand.

Save as disclosed above and save for entering into the Sale and Purchase Agreement, none of the members of the Vendors Concert Group has acquired any voting rights in the Company or has dealt in any the Shares, outstanding options, derivatives, warrants or other securities convertible or exchangeable into the Shares in the six months prior to the date of the MOU up to and including the date of this announcement.

As at the date of this announcement, Sky Alpha, Mr. Wong Siu Man, Mr. Wong Siu Wa and their respective concert parties (i) have no relationship with any member of the Vendors Concert Group; (ii) are not a party to the Sale and Purchase Agreement; and (iii) did not provide any direct or indirect refinancing of the funding of the Acquisition, and Sky Alpha, Mr. Wong Siu Man, Mr. Wong Siu Wa and their respective concert parties are, in fact, not parties acting in concert or presumed to be acting in concert with any member of the Vendors Concert Group under the Takeovers Code.

#### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

Pursuant to the GEM Listing Rules and the Takeovers Code, the Independent Board Committee, comprising all the independent non-executive Directors, has been formed for the purpose of advising the Independent Shareholders on the Sale and Purchase Agreement and the transactions contemplated thereunder and the Specific Mandate, as well as, for the purpose of the Whitewash Waiver, the non-executive Director in addition to the independent non-executive Directors. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver. Further announcement in relation to the appointment of the independent financial adviser will be made by the Company in compliance with the GEM Listing Rules and the Takeovers Code.

## **EGM**

The EGM will be convened for the purpose of considering and, if thought fit, approving, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder, the Specific Mandate, the Whitewash Waiver and the Increase in Authorised Share Capital.

In accordance with the GEM Listing Rules, Shareholders who are connected, interested in or involved in the Sale and Purchase Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver are required to abstain from voting on the relevant resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver at the EGM.

As Mr. Wong Siu Man, an executive Director, is involved in the discussion of the Sale and Purchase Agreement and the transactions contemplated thereunder, Mr. Wong Siu Man is considered to be involved in the Sale and Purchase Agreement and the transactions contemplated thereunder. Hence, Sky Alpha will abstain from voting on the relevant resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver at the EGM.

Save as disclosed above, no Shareholder has a material interest in or is interested in or involved in the Sale and Purchase Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver, and therefore, other than Sky Alpha, no Shareholder is required to abstain from voting on the relevant resolution(s) to be proposed at the EGM.

## **DESPATCH OF THE CIRCULAR**

The Company will despatch the Circular in accordance with the requirements under the GEM Listing Rules which will contain, among other things, (i) further details of the Sale and Purchase Agreement and the transactions contemplated thereunder, the Specific Mandate, the Whitewash Waiver and the Increase in Authorised Share Capital; (ii) further information about the Contractual Arrangements; (iii) a letter of advice from the Independent Board Committee to the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver; (iv) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver; (v) financial information of Car-T Biotech and of the Group; (vi) the unaudited pro forma financial information of the Enlarged Group; (vii) the Valuation Report of Car-T Biotech to be issued by the Independent Valuer; and (viii) the information regarding the New Listing Application. The Circular will also be accompanied by a notice to convene the EGM and the proxy form.

The Circular is subject to review and comments by the Stock Exchange and will be despatched to the Shareholders as soon as practicable after the Company has obtained the approval in principle from the GEM Listing Committee with respect to the New Listing Application. Under Rule 19.60(7) of the GEM Listing Rules, the Company is required to despatch the Circular in relation to a very substantial acquisition within 15 Business Days after the publication of this announcement. In accordance with Rule 8.2 of the Takeovers Code, the Company is required to despatch the Circular to the Shareholders within 21 days of the date of this announcement. As additional time is required for obtaining the approval in principle from the GEM Listing Committee with respect to the New Listing Application, an application will be made for the consent of the Executive under Rule 8.2 of the Takeovers Code for an extension of time for despatching the Circular. The Company expects the despatch of the Circular will be postponed to a date falling on or before 31 December 2020. The Company will make further announcement(s) in relation to the despatch of the Circular as and when necessary. Shareholders and potential investors should refer to the Circular for further details of the Acquisition and the New Listing Application.

## **WARNING**

**The Executive may or may not grant the Whitewash Waiver and the Independent Shareholders may or may not approve the Whitewash Waiver. The Acquisition will not proceed if the Whitewash Waiver is not so granted or approved.**

**Completion is subject to the satisfaction and/or waiver of the Conditions Precedent, and provided that the termination rights are not exercised by the Purchaser or the Vendors, pursuant to the Sale and Purchase Agreement, and therefore the Acquisition may or may not take place.**

**In addition, the GEM Listing Committee's approval for the New Listing Application to be made by the Company may or may not be granted. In the event that the approval for the New Listing Application is not granted by the GEM Listing Committee, the Sale and Purchase Agreement will not become unconditional and the Acquisition will not proceed.**

**Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company. Shareholders and public investors are advised to obtain appropriate professional advice.**

## DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Interests by the Purchaser pursuant to the Sale and Purchase Agreement
“acting in concert”	has the meaning as ascribed to it under the Takeovers Code
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday, a Sunday or public holidays and days on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are generally open for business throughout their regular business hours in Hong Kong
“BVI”	British Virgin Islands
“Car-T Biotech”	Car-T (Shanghai) Biotech Co., Ltd.* (卡替(上海)生物技術有限公司), a company established in the PRC with limited liability, being the target of the Acquisition
“Car-T (BVI)”	a company to be incorporated under the laws of the BVI with limited liability and an investment holding pursuant to the Reorganisation
“Car-T (Hong Kong)”	a company to be incorporated under the laws of Hong Kong with limited liability and an investment holding pursuant to the Reorganisation
“Car-T (WFOE)”	a wholly foreign owned entity (WFOE) to be established under the laws of the PRC with limited liability and an investment holding pursuant to the Reorganisation
“Circular”	the circular of the Company to be despatched to the Shareholders in relation to, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder, the Specific Mandate, the Whitewash Waiver and the Increase in Authorised Share Capital
“Circular 13”	Circular of the SAFE on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies* (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》(匯發[2015]13號))

“Circular 37”	Circular of the SAFE on Relevant Issues concerning Foreign Exchange Administration of the Overseas Investment and Financing and Return Investment Conducted by Domestic Residents through Special Purpose Vehicle* (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》(匯發[2014]37號))
“Company”	Asia Grocery Distribution Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM of the Stock Exchange (Stock code: 8413)
“Completion”	completion of the Acquisition pursuant to the terms and conditions under the Sale and Purchase Agreement
“Completion Date”	the date which Completion takes place
“Condition(s) Precedent”	condition(s) precedent to Completion, details of which are set out under the paragraph headed “Conditions Precedent” in this announcement
“connected person(s)”	has the meaning ascribed to it in the GEM Listing Rules
“connected transaction(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Consideration”	HK\$1,200 million, as part of the consideration for the Acquisition under the Sale and Purchase Agreement
“Consideration Share(s)”	3,140,000,000 new Shares to be issued and allotted by the Company to the Vendors or their respective Vendors’ BVI Companies at Completion
“Contractual Arrangements”	the series of contractual agreements entered into among Car-T Biotech, Car-T (WFOE) and the Registered Shareholders, details of which are described in the section headed “Contractual Arrangements” in this announcement
“Controlling Shareholder(s)”	the Vendors, who will become the group of controlling shareholders (having the meaning ascribed to it under the GEM Listing Rules) of the Company upon Completion
“Director(s)”	the director(s) of the Company

“EGM”	the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, to approve, among other matters, the Sale and Purchase Agreement and the transactions contemplated thereunder, the Specific Mandate, the Whitewash Waiver and the Increase in Authorised Share Capital
“Enlarged Group”	the Group immediately after Completion
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission from time to time or any delegate of such Executive Director
“GEM Listing Committee”	the listing sub-committee of the board of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Increase in Authorised Share Capital”	the proposed increase in the authorised share capital of the Company from HK\$20,000,000.00 divided into 2,000,000,000 Shares to HK\$1,000,000,000.00 divided into 10,000,000,000 Shares by the creation of additional 8,000,000,000 new Shares
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder and the Specific Mandate and including, for the purposes of the Whitewash Waiver, the non-executive Director in addition to the independent non-executive Directors
“Independent Financial Adviser”	the independent financial adviser to be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver



“Independent Shareholder(s)”	the Shareholders other than (i) those who are connected, interested in or involved in the Sale and Purchase Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Wavier; (ii) the Vendors Concert Group; (iii) Sky Alpha; and (iv) those who are required to abstain from voting at the EGM to be convened to approve the Sale and Purchase Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates
“Issue Price”	HK\$0.20 per Consideration Share
“Last Trading Day”	24 April 2020, being the last trading day immediately before the entering into of the Sale and Purchase Agreement
“Long Stop Date”	30 April 2021 or such other date as the parties to the Sale and Purchase Agreement may agree in writing
“MOU”	the memorandum of understanding dated 26 June 2019 entered into between the Company and Shanghai Que Hai Biotech Partnership (Limited Partnership)* (上海鵲海生物科技合夥企業(有限合夥)), being one of the shareholders of Car-T Biotech
“Mr. Bi”	Mr. Bi Sheng (畢勝)
“Mr. Li”	Mr. Li Jun (李軍)
“Negative List 2019”	Special Administrative Measures on Access of Foreign Investment (Negative List) (Edition 2019) (外商投資准入特別管理措施(負面清單)(2019年版)) Promulgated jointly by the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) and Ministry of Commerce of the PRC (中華人民共和國商務部) which has become effective on 30 July 2019

“New Listing Application”	the new listing application as contemplated under the Acquisition and has the meaning ascribed to it under the section headed “GEM Listing Rules implications” in this announcement
“PRC”	the People’s Republic of China which, for the purposes of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“PRC Legal Advisers”	JingTian & GongCheng, the legal adviser of Car-T Biotech as to PRC law
“Promissory Note(s)”	the promissory notes in the principal amount of HK\$572,000,000 to be issued by the Company to the Vendors or their respective Vendors’ BVI Companies upon Completion as part of the Consideration
“Purchaser”	Perfect Epoch Enterprises Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company
“Registered Shareholder(s)”	the existing individual shareholder(s) and corporate shareholder(s) of Car-T Biotech registered with the competent administration for market regulation as at the date of the Sale and Purchase Agreement and has the meaning ascribed to it under the paragraph headed “Registered Shareholders” in this announcement
“Reorganisation”	the restructuring exercise to be completed by the Vendors and Car-T Biotech such that Car-T Biotech and the Target Intermediate Holding Companies are intended to be acquired by the Company under the Sale and Purchase Agreement and has the meaning ascribed to it in the section headed “Reorganisation” in this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	State Administration of Foreign Exchange (國家外匯管理局)
“Sale and Purchase Agreement”	the sale and purchase agreement dated 24 April 2020 entered into between the Purchaser and the Vendors in relation to the Acquisition, the principal terms of which are set out in the section headed “The Sale and Purchase Agreement” in this announcement

“Sale Interests”	upon completion of the Reorganisation, the entire issued capital of the Car-T (BVI), which, through the Contractual Arrangements, the effective control over the financial and operational management and results of Car-T Biotech and all the economic benefits derived from the operations of Car-T Biotech
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Share(s)”	ordinary shares in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Sky Alpha”	Sky Alpha Investments Limited, a company incorporated in the BVI with limited liability
“Specific Mandate”	the specific mandate to be granted to the Directors by the Independent Shareholders at the EGM to allot and issue the Consideration Shares
“Sponsor”	the sponsor to be appointed by the Company for the New Listing Application
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Merger
“Target Group”	Car-T Biotech and the Target Intermediate Holding Companies, upon completion of the Reorganisation
“Target Intermediate Holding Company(ies)”	Car-T (BVI), Car-T (Hong Kong) and Car-T (WFOE) to be incorporated or established pursuant to the Reorganisation
“Vendor(s)” or “Individual Beneficial Owner(s)”	an individual Registered Shareholder or ultimate individual beneficial owner of the corporate Registered Shareholder of Car-T Biotech as at the date of the Sale and Purchase Agreement, details of which are set out in the section headed “Information of the Vendors” in this announcement and “Vendor” shall mean any one of them
“Vendors Concert Group”	the Vendors and party(ies) acting in concert with any of them, including the Vendors’ BVI Companies and their respective concert parties

“Vendors’ BVI Company(ies)”	collectively, a series of companies to be incorporated in the BVI, which to be held by the Individual Beneficial Owner(s) respectively or jointly, under the Reorganisation, details of which are set out under the paragraph headed “Vendors and Vendors’ BVI Companies” in this announcement and “Vendors’ BVI Company” shall mean any one of them
“Whitewash Waiver”	a waiver from the Executive in respect of the obligation of the Vendors Concert Group to make a mandatory general offer for all Shares not already owned or agreed to be acquired by the Vendors Concert Group pursuant to Note 1 on dispensations of Rule 26 of the Takeovers Code which would otherwise arise as a result of the allotment and issuance of the Consideration Shares to the Vendors and/or their respective Vendors’ BVI Companies upon Completion
“US\$”	US dollars, the lawful currency of the United States
“%”	percent.

\* *The English translation of Chinese names or words in this announcement, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

*In this announcement, where information is presented in two decimals places and three decimals places, have been rounded to the nearest two decimals places and three decimals places respectively. Any discrepancies in any total number of the Consideration Shares between the respective consideration in HK\$ divided by the Issue Price therein are due to rounding.*

By order of the Board  
**Asia Grocery Distribution Limited**  
**Wong Siu Man**  
*Chairman and Executive Director*

Hong Kong, 24 April 2020

*As at the date of this announcement, the executive Directors are Mr. Wong Siu Man (Chairman), Mr. Wong Siu Wa (Chief Executive Officer) and Mr. Yip Kam Cheong (Compliance Officer), the non-executive Director is Mr. Wong Chun Hung Hanson and the independent non-executive Directors are Mr. Ng Fan Kay Frankie, Mr. Wang Zhaobin and Mr. Wong Garrick Jorge Kar Ho.*

*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 (other than those in relation to the Vendors and Car-T Biotech) 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.*

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than those in relation to the Vendors and Car-T Biotech) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by the Vendors and Car-T Biotech) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.*

*As at the date of this announcement, the directors of Car-T Biotech are Mr. Li Jun (李軍), Mr. Bi Sheng (畢勝), Mr. Song Zhong Wei (宋忠偉), Ms. Bai Yun (白雲) and Ms. Yang Hong (楊紅) (the “**Car-T Directors**”).*

*The Vendors and the Car-T Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than those in relation to the Group) and confirms, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.*

*This announcement will remain on the website of the GEM of the Stock Exchange at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of the Company at [www.agdl.com.hk](http://www.agdl.com.hk).*