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**INNOVATIVE PHARMACEUTICAL BIOTECH LIMITED**  
**領航醫藥及生物科技有限公司**

*(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)*

**(Stock Code: 399)**

**ISSUE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE**

On 24 March 2016 (after trading hours), the Company entered into the Subscription Agreements with the Subscribers, pursuant to which the Company has conditionally agreed to issue and the Subscribers have conditionally agreed to subscribe for the Convertible Bonds in the aggregate principal amount of HK\$280,000,000. The maturity of the Convertible Bonds will be the date falling on the third anniversary from the date of issue of the Convertible Bonds. The Convertible Bonds will be converted into Conversion Shares at the Conversion Price of HK\$1.00 (subject to adjustments) per Conversion Share.

As at the date of this announcement, the Company has a total of 1,464,193,024 Shares in issue. Assuming there is no further issue or repurchase of the Shares, based on the initial Conversion Price of HK\$1.00 per Conversion Share and assuming full conversion of the Convertible Bonds at the initial Conversion Price, the Convertible Bonds will be convertible into 280,000,000 Conversion Shares, which represent:

- (i) approximately 19.12% of the existing issued share capital of the Company as at the date of this announcement; and

- (ii) approximately 16.05% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon exercise in full of the conversion right attaching to the Convertible Bonds.

The Conversion Shares will be allotted and issued pursuant to the General Mandate granted to the Directors at the annual general meeting of the Company held on 25 August 2015.

The net proceeds from the issue of the Convertible Bonds, after deducting legal fees and other expenses payable by the Company, are estimated to be approximately HK\$279,000,000. The net proceeds from the issue of the Convertible Bonds are intended to be used for financing potential acquisition opportunities as and when appropriate.

No listing of the Convertible Bonds will be sought on the Stock Exchange or any other stock exchanges. The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares that may be issued in the event that the Subscribers elect to exercise the conversion rights attached to the Convertible Bonds.

**Completion of the respective Subscription Agreement is subject to fulfillment of certain conditions. In addition, each of the Subscription Agreements may be terminated upon the occurrence of certain events. Please refer to the section headed “The Subscription Agreements” below for further information. As the respective Subscription Agreement may or may not be completed, Shareholders and prospective investors are reminded to exercise caution when dealing in the Shares.**

On 24 March 2016 (after trading hours), the Company and the Subscribers, entered into the Subscription Agreements respectively in relation to the issue of and subscription for the Convertible Bonds in the aggregate principal amount of HK\$280,000,000. Save for the identity of the Subscribers and the principal amount of the Convertible Bonds to be subscribed, the principal terms of each of the Subscription Agreements are substantially the same. The Subscription Agreements are not inter-conditional to each other.

Principal terms of the Subscription Agreements and the Convertible Bonds are set out below.

## **THE SUBSCRIPTION AGREEMENTS**

### **Date**

24 March 2016

### **Parties**

Issuer : the Company

Subscribers : Subscriber A, Subscriber B and Subscriber C, respectively

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, each of the Subscribers and its ultimate beneficial owner(s) are third parties independent of and are not connected persons (as defined under the Listing Rules) of the Company.

### **Subscription**

Subject to the fulfilment of the conditions precedent set out below, Subscriber A, Subscriber B and Subscriber C shall subscribe for, and the Company shall allot and issue to each of Subscriber A, Subscriber B and Subscriber C, the Convertible Bonds in the principal amount of HK\$180,000,000, HK\$50,000,000 and HK\$50,000,000, respectively, representing an aggregate principal amount of HK\$280,000,000 and the said amount shall be satisfied in cash.

### **Conditions precedent**

Completion of the respective Subscription is conditional upon the Listing Committee having granted the listing of, and permission to deal in, the Conversion Shares which may fall to be allotted and issued upon the exercise of the conversion rights attached to the Convertible Bonds.

If the above condition is not fulfilled before 8 April 2016 or such other date as agreed between the Company and each of the respective Subscribers in writing, the respective Subscription Agreements will cease and terminate and neither the Company nor such Subscriber shall have any claim against each other, save for any antecedent breach.

## **Completion of the issue of the Convertible Bonds**

Subject to the fulfillment of the conditions precedent, the Subscriptions of the Convertible Bonds shall be completed on the Closing Date. On the Closing Date, the Company shall allot and issue to the Subscribers, the respective Convertible Bonds and the Subscribers shall make payment for the principal amounts of the relevant Convertible Bonds being subscribed.

## **PRINCIPAL TERMS OF CONVERTIBLE BONDS**

The principal terms of Convertible Bonds are summarised below:

- Principal amount : Up to an aggregate principal amount of HK\$280,000,000.
- Maturity Date : The Convertible Bonds will mature on the date falling on the third anniversary from the date of issue of the Convertible Bonds.
- Interest : The Convertible Bonds bear interest from the date of issue at 8.5% per annum on the principal amount of the Convertible Bonds and payment to be made within five Business Days from the Maturity Date.
- Conversion Price : The Conversion Price is HK\$1.00 per Conversion Share, subject to adjustments as set out and in accordance with the terms and conditions of the Convertible Bonds.

The Conversion Price of HK\$1.00 represents:

- (i) a discount of approximately 9.10% to the closing price of HK\$1.1 per Share as quoted on the Stock Exchange on 24 March 2016, being the date of the Subscription Agreements;
- (ii) a discount of approximately 7.75% to the average closing price of approximately HK\$1.084 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreements;

- (iii) a discount of approximately 9.83% to the average closing price of approximately HK\$1.109 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to the date of the Subscription Agreements;

The Conversion Price was determined after arm's length negotiations between the Company and the respective Subscribers, with reference to the recent performance of the Shares, the Group's existing financial position and current market conditions and sentiments.

Adjustment events : The Conversion Price shall from time to time be adjusted upon occurrences of certain events, including but not limited to the followings:-

- (i) consolidation or sub-division of Shares;
- (ii) capitalisation of profits or reserves;
- (iii) capital distribution;
- (iv) offer of new Shares for subscription by way of a rights issue, a grant of options or warrants to subscribe for new Shares, at a price which is less than 80% of the market price at the date of the announcement of the terms of such offer or grant per Share to Shareholders;
- (v) issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total effective consideration per new Share receivable is less than 80% of the market price at the date of the announcement of the terms of issue of such securities, or the conversion, exchange or subscription rights of any such issue are altered so that the said total effective consideration receivable per Share initially is less than 80% of such market price at the date of announcement of the terms of such issue;

- (vi) issue of Shares, options, warrants or other rights for the subscription of shares wholly for cash at a price which is less than 80% of such market price at the date of announcement of the terms of such issue; and
- (vii) issue of any securities bearing the rights to convertible into, exchangeable for or subscribe for Shares by the Company, any of its subsidiaries or any person in accordance with the instructions given by the Company or any of its subsidiaries or arrangement made with the Company wholly for cash at a price which is less than 80% of such market price at the date of announcement of the terms of such issue.

- Conversion Shares : Based on the initial Conversion Price of HK\$1.00, a maximum number of 280,000,000 Conversion Shares will be allotted and issued upon exercise in full of the conversion rights attaching to the Convertible Bonds, which represent:
- (i) approximately 19.12% of the existing issued share capital of the Company as at the date of this announcement; and
  - (ii) approximately 16.05% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon exercise in full of the conversion right attaching to the Convertible Bonds.

The Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bonds shall be allotted and issued pursuant to the General Mandate.

Conversion right : Each holder of the Convertible Bonds shall have the right, exercisable at any time during the Conversion Period (as defined below) to convert the whole or any part (in multiples of HK\$1,000,000) of the outstanding principal amount of the Convertible Bonds held by such holder of the Convertible Bonds into such number of Conversion Shares as will be determined by dividing the principal amount of the Convertible Bonds to be converted by the Conversion Price in effect on the date of conversion.

No fraction of a Share shall be issued on conversion of the Convertible Bonds and no cash adjustments will be made.

Conversion Restrictions : The conversion rights attaching to the Convertible Bonds shall only be exercisable so long as:

(i) the holders of the Convertible Bonds and their respective associates, together with parties acting in concert (as defined in the Takeovers Code) with them, will not trigger a mandatory offer obligation under the Takeovers Code;

(ii) unless an approval or waiver has been granted by the Stock Exchange, the public float of the Company will not be unable to meet the relevant minimum requirements under the Listing Rules; and

(iii) the holders of the Convertible Bonds and it/their associates shall not become a substantial Shareholder of the Company (as defined in the Listing Rules).

Conversion Period : The period commencing from the date of issue of the Convertible Bonds and ending at 4 p.m. on the day which falls on the third anniversary of the date of issue of the Convertible Bonds.

## Early Redemption

- : With the consent of the holders of the Convertible Bonds, the Company or any of its subsidiaries may, at any time within three months from the 13<sup>th</sup> and 25<sup>th</sup> month since the date of issue of the Convertible Bonds, redeem the outstanding Convertible Bonds at a price to be agreed between the holders of the Convertible Bonds and Company or any of its subsidiaries from time to time.

In addition, within six months since the date of issue of the Convertible Bonds, in the event that the Company fails to enter into any agreement concerning certain potential acquisition opportunities as the Company indicated to the Subscribers that the Company may be of interest on the date of Subscription Agreements (“**Qualified Acquisition**”), or fails to complete the Qualified Acquisition and settle the consideration in accordance with the agreement concerning such Qualified Acquisition, and provided that the holders of the Convertible Bonds have not exercised the conversion right attaching to the Convertible Bonds, the holders of the Convertible Bonds may, during the period from the 7<sup>th</sup> to 9<sup>th</sup> month since the date of issue of the Convertible Bonds, request the Company to redeem in one go all of the outstanding Convertible Bonds at 100% of the principal amount of the Convertible Bonds together with the unpaid interest accrued to the date fixed for redemption. The Company needs to make such payment with 10 Business Days after the holders of the Convertible Bonds have duly delivered a conversion notice. For the avoidance of doubt, within six months since the date of issue of the Convertible Bonds, once the holders of the Convertible Bonds exercise their respective conversion right attaching to the Convertible Bonds, they can not request the Company to redeem any outstanding Convertible Bonds prior to the Maturity Date. If, within six months since the date of issue of the Convertible Bonds, the Company has completed all relevant procedures concerning the Qualified Acquisition, holders of the Convertible Bonds can choose to either to exercise their respective conversion right attaching to the Convertible Bonds or continue to hold their respective Convertible Bonds, provided that under such circumstance, no early redemption by the Company may be requested by the holders of the Convertible Bonds.



- Ranking : Conversion Shares to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds shall rank pari passu in all respects among themselves and with all other existing Shares outstanding at the date of the conversion and all Conversion Shares shall include rights to participate in all dividends and other distributions the record date of which falls on or after the date of issue and allotment of the Conversion Shares.
- Transferability : The Convertible Bonds may be freely transferable subject to compliance with all conditions of the Convertible Bonds. Any transfer of the Convertible Bonds shall be in respect of the whole or any part (in multiples of HK\$1,000,000) of the principal amount of the Convertible Bonds.
- Application for listing : No application will be made by the Company to the Stock Exchange for listing of the Convertible Bonds. Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.
- Voting : The holders of the Convertible Bonds will not be entitled to attend or vote at any meetings of the Company by reason only of being the holders of the Convertible Bonds.

## **INFORMATION ON THE SUBSCRIBERS**

Subscriber A, namely Guoxin Global Limited, is a limited liability company incorporated in the British Virgin Islands and is principally engaged in investment holding.

Subscriber B, namely Fu Chuang Limited, is a limited liability company incorporated in the British Virgin Islands and is principally engaged in investment holding.

Subscriber C, namely Shanghai Rongding Equity Investment Management Company Limited\* 上海融鼎股權投資管理有限公司, is a limited liability company incorporated in the PRC and is principally engaged in equity investment.

## **REASONS FOR THE SUBSCRIPTIONS**

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of genetic testing services, distribution of bio-industrial products and trading of beauty equipment and products.

The Directors are of the view that the Subscriptions represent a good opportunity for the Company to raise additional funds for the Company without an immediate dilution effect on the shareholding of the existing Shareholders and strengthen the Group's financial position to better equip the Group with financial flexibility for any potential acquisition opportunities as and when appropriate. If the conversion rights attaching to the Convertible Bonds are exercised in full, it will enlarge the Shareholder and capital bases of the Company.

The Directors consider that the entering into the respective Subscription Agreements is on normal commercial terms, and the terms and conditions of the Subscription Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **USE OF PROCEEDS**

The gross proceeds and the net proceeds from the Subscriptions, are estimated to be approximately HK\$280,000,000 and HK\$279,000,000, respectively. On such basis, the net price received by the Company for each Conversion Share is approximately HK\$0.996. The Company intends to use the net proceeds for financing potential acquisition opportunities as and when appropriate.

## EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; (ii) upon full conversion of the Convertible Bonds, for illustration purpose only:-

Shareholders	Shareholding as at the date of this announcement		Shareholding immediately after completion of the Subscriptions and assuming full conversion of the Convertible Bonds	
	<i>Approximate % of Shares</i>	<i>shareholding</i>	<i>Approximate % of Shares</i>	<i>shareholding</i>
Dr. Mao Yumin ( <i>Note 1</i> )	54,700,000	3.74%	54,700,000	3.14%
United Gene Holdings Limited ( <i>Note 1</i> )	84,500,000	5.77%	84,500,000	4.84%
Best Champion Holdings Limited ( <i>Note 1</i> )	61,650,000	4.21%	61,650,000	3.53%
China United Gene Investment Holdings Limited ( <i>Note 1</i> )	176,201,350	12.03%	176,201,350	10.10%
Chau Yiu Ting	307,600,000	21.01%	307,600,000	17.64%
Subscriber A	0	0%	180,000,000	10.32%
Subscriber B	0	0%	50,000,000	2.87%
Subscriber C	0	0%	50,000,000	2.87%
Sub-total	684,651,350	46.76%	964,651,350	55.31%
<b>Director</b>				
Mr. Tang Rong ( <i>Note 2</i> )	396,200	0.03%	396,200	0.02%
<b>Public Shareholders</b>	<u>779,145,474</u>	<u>53.21%</u>	<u>779,145,474</u>	<u>44.67%</u>
<b>Total (<i>Note 3</i>)</b>	<u>1,464,193,024</u>	<u>100%</u>	<u>1,744,193,024</u>	<u>100%</u>

*Notes:*

1. China United Gene Investment Holdings Limited is owned as to 60% by Best Champion Holdings Limited, which is in turn owned as to 33.50%, 33.50% and 33.00% by United Gene Holdings Limited, Ease Gold Investment Limited and Victory Trend Limited, respectively. United Gene Holdings Limited is wholly owned by Dr. Mao Yumin (“Dr. Mao”). Ease Gold Investment Limited is wholly owned by Dr. Xie Yi (“Dr. Xie”). Victory Trend Limited is wholly owned by Good Links Limited, which is in turn owned as to 50% by Dr. Mao and as to 50% by Dr. Xie. JNJ Investments Limited is wholly owned by Biowindow Gene Development (Hong Kong) Limited which is in turn wholly owned by United Gene Group Limited. United Gene Group Limited is owned as to 33.3% and 33.3% by United Gene Holdings Limited and Ease Gold Investment Limited, respectively. United Gene Holdings Limited and Ease Gold Investment Limited are wholly owned by Dr. Mao and Dr. Xie respectively.
2. Mr. Tang Rong is an executive Director.
3. Save for the above, as at the date of this announcement, the Company also has outstanding convertible bonds of HK\$1,322,600,000 in outstanding principal amount which can be converted into 1,805,000,000 Shares.

## **EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS**

Save as disclosed below, the Company has not conducted any equity fund raising activities in the past twelve months immediately prior to the date of this announcement.

<b>Date of announcement</b>	<b>Event</b>	<b>Net proceeds (approximately)</b>	<b>Intended use of proceeds</b>	<b>Actual use of proceeds</b>
2 December 2015	Proposed subscription of new shares under specific mandate	Expected net proceed of HK\$596.5 million	It is expected that approximately 85% of the expected net proceeds will be used for investment in IT projects and tourism projects; and approximately 15% of the expected net proceeds will be for general working capital of the Group.	As at the date of this announcement, no proceed was received by the Company.

As at the date of this announcement, save for the term sheet signed on 2 December 2015, no further definitive agreement has been signed in relation to the above proposed subscription of new Shares. Accordingly, the above proposed subscription has not been completed as at the date of this announcement and no proceeds was received by the Company. For further details, please refer to the announcement of the Company dated 2 December 2015.

## **GENERAL MANDATE**

The Conversion Shares will be allotted and issued under the General Mandate granted to the Directors by resolution of the Shareholders passed at the annual general meeting of the Company held on 25 August 2015 approving the General Mandate. The maximum number of Shares allowed to be allotted and issued under the General Mandate was 280,838,604 Shares. As at the date of this announcement, none of the Shares have been utilised by the Company under the General Mandate. Accordingly, the Subscription is not subject to the Shareholders' approval.

## **PUBLIC FLOAT**

The Company will monitor closely and will ensure that it maintains the minimum public float percentage as prescribed under the Listing Rules from time to time. The Company's public float will not fall below the minimum prescribed percentage under the Listing Rules upon the conversion of the Convertible Bonds.

**Completion of the respective Subscription Agreement is subject to the fulfillment of certain conditions. In addition, each of the Subscription Agreements may be terminated upon the occurrence of certain events. Please refer to the section headed "The Subscription Agreements" above for further information. As the Subscriptions may or may not be completed, Shareholders and prospective investors are reminded to exercise caution when dealing in the Shares.**

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms shall have the following meaning:

"associates"	has the meaning ascribed to it in the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (other than Saturday and days on which a tropical cyclone warning No.8 or above or a "black rainstorm warning signal" is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are open in Hong Kong for general banking business

“Closing Date”	the third Business Day from the date on which all conditions precedent are fulfilled or such other date as agreed in writing by the Company and the Subscribers in respect of the subscription of the Convertible Bonds under the Subscription Agreements
“Company”	Innovative Pharmaceutical Biotech Limited 領航醫藥及生物科技有限公司, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“Completion”	the completion of the Subscriptions in accordance with the terms and conditions of the respective Subscription Agreements
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Conversion Price”	HK\$1.00 per Conversion Share, subject to adjustments as set out and in accordance with the terms and conditions of the Convertible Bonds
“Conversion Share(s)”	a maximum of 280,000,000 new Shares to be allotted and issued by the Company upon exercise in full of the conversion rights attaching to the Convertible Bonds
“Convertible Bonds”	the convertible bonds in the aggregate principal amount of up to HK\$280,000,000 to be issued by the Company convertible to the Conversion Shares at the Conversion Price
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 25 August 2015 to allot, issue and deal with up to 280,838,604 new Shares, being 20% of the then issued capital of the Company as at the date of the said annual general meeting
“Group”	the Company and its subsidiaries

“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Committee”	the listing committee of the Stock Exchange for considering applications for listing and the granting of listing
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the date falling on the third anniversary of the date of issue
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“SFC”	Securities and Futures Commission of Hong Kong
“Share(s)”	the ordinary share(s) of HK\$0.01 each (subject to change) in the issued share capital of the Company or shares of any class or classes resulting from any sub-division, consolidation or re-classification of such Shares, which as between themselves have no preference in respect of voting rights or dividends or of amounts payable in the event of any voluntary or involuntary liquidation or distribution of the Company
“Shareholder(s)”	the registered holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	collectively, Subscriber A, Subscriber B and Subscriber C
“Subscriber A”	Guoxin Global Limited, being a limited liability company incorporated in the British Virgin Islands which is principally engaged in investment holding

“Subscriber B”	Fu Chuang Limited, being a limited liability company incorporated in the British Virgin Islands which is principally engaged in investment holding
“Subscriber C”	Shanghai Rongding Equity Investment Management Company Limited* 上海融鼎股權投資管理有限公司, being a limited liability company incorporated in the PRC which is principally engaged in equity investment
“Subscriptions”	the proposed subscriptions of the Convertible Bonds by each of the Subscribers pursuant to the respective Subscription Agreements
“Subscription Agreement(s)”	the respective subscription agreement(s) dated 24 March 2016 entered into between the Company and each of the Subscribers in relation to the respective Subscription
“Takeovers Code”	the Code on Takeovers and Mergers and Share Buy-backs issued by the SFC
“%”	per cent.

\* *The English name is a translation of its Chinese name and is included in this announcement for identification purposes only.*

By order of the Board  
**Innovative Pharmaceutical Biotech Limited**  
**Tang Rong**  
*Executive Director*

Hong Kong, 28 March 2016

*As at the date of this announcement, the Board comprises Ms. Jiang Nian (chairman & non-executive Director), Mr. Gao Yuan Xing (executive Director), Mr. Tang Rong (executive Director), Ms. Wu Yanmin (non-executive Director), Ms. Xiao Yan (non-executive Director), Ms. Chen Weijun (independent non-executive Director), Dr. Zhang Zhihong (independent non-executive Director) and Mr. Wang Rongliang (independent non-executive Director).*