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百信集团
PASHUN GROUP

Pa Shun International Holdings Limited
百信國際控股有限公司

*(Formerly known as Pa Shun Pharmaceutical International Holdings Limited
百信藥業國際控股有限公司)*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 574)

**PROPOSED AMENDMENTS TO
THE TERMS AND CONDITIONS OF
THE CONVERTIBLE BONDS**

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On 20 July 2017 (after trading hours), the Company executed the Supplemental Deed with the Chargor, Mr. Chen and the Purchaser, pursuant to which the parties conditionally agreed to, among others, enter into the Supplemental Bond Instruments, to amend certain terms and conditions of the Convertible Bonds (i.e. the Series 1 CB and the Series 2 CB).

As at the date of this announcement, none of the Convertible Bonds have been redeemed or converted.

LISTING RULES IMPLICATIONS

Pursuant to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities.

The Company has applied to the Stock Exchange for approval of the Proposed Amendments.

GENERAL

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Conversion Shares falling to be allotted and issued under the Series 2 CB (as amended by the Supplemental Transaction Documents).

Reference is made to the announcements (“**Announcements**”) of the Company dated 15 December 2016 and 29 December 2016 in relation to, among other things, the issue of the Convertible Bonds. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

BACKGROUND

On 29 December 2016, the Company issued the Series 1 CB in the aggregate principal amount of HK\$72,000,000 and the Series 2 CB in the aggregate principal amount of HK\$48,000,000 to the Purchaser.

On 20 July 2017 (after trading hours), the Company executed the Supplemental Deed with the Chargor, Mr. Chen and the Purchaser, pursuant to which the parties conditionally agreed to, among others, enter into the Supplemental Bond Instruments, to amend certain terms and conditions of the Convertible Bonds (i.e. the Series 1 CB and the Series 2 CB).

SUPPLEMENTAL DEED

Date

20 July 2017 (after trading hours)

Parties

Issuer: The Company

Chargor: Praise Treasure Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Mr. Chen

Personal Guarantor: Mr. Chen, the chairman, an executive Director and a controlling shareholder of the Company

Purchaser or a Bondholder: Chance Talent Management Limited, a limited liability company incorporated in the British Virgin Islands. It is indirectly and wholly-owned by CCB International (Holdings) Limited. CCB International (Holdings) Limited is an investment services flagship which is indirectly and wholly-owned by China Construction Bank Corporation, a joint-stock company incorporated in the PRC and listed on the Main Board of the Stock Exchange (Stock code: 939) and the Shanghai Stock Exchange (Stock code: 601939).

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, except for the holding of the Convertible Bonds, the Purchaser and its ultimate beneficial owners is a third party independent of the Company and connected persons of the Company.

Proposed Amendments

Pursuant to the Supplemental Deed, the Company, the Chargor, Mr. Chen and the Purchaser conditionally agreed to, among others, enter into the Supplemental Bond Instruments, to amend certain terms and conditions of the Convertible Bonds (i.e. the Series 1 CB and the Series 2 CB) as follows:

- i the Financial Covenant in relation to the Net Assets of the Group (“**Net Asset Covenant**”) as set out in the Bond Conditions shall be amended to the effect that as long as any Convertible Bonds remain outstanding, the Net Assets of the Group, excluding any impact of fair value change related to any outstanding share options and convertible bonds issued by the Company, shall not be less than RMB720,000,000 (or its equivalent in any other currency or currencies), as adjusted from the original requirement of RMB750,000,000 (or its equivalent in any other currency or currencies);
- ii the initial Series 2 CB Conversion Price shall be adjusted from HK\$1.20 per Series 2 CB Conversion Share to HK\$0.60 per Series 2 CB Conversion Share; and
- iii Conversion Shares in relation to the Series 2 CB shall be allotted and issued by the Company pursuant to the 2017 General Mandate (instead of pursuant to the General Mandate as set out in the Series 2 CB Conditions), under which the Company is authorised to issue up to 200,000,000 new Shares until the revocation, variation or expiration of the 2017 General Mandate. In the event that the number of Series 2 CB Conversion Shares to be issued upon the exercise of the Conversion Rights attached to the Series 2 CB based on the amended initial Series 2 CB Conversion Price as adjusted in accordance with the Bond Conditions (i.e. as a result of the Adjustment Events) exceeds 90,000,000 Shares issuable under the 2017 General Mandate (the exceeded number of Series 2 CB Conversion Shares shall be referred to as “**Exceeded Conversion Shares**”), any rights attached to the principal amount of the Series 2 CB attributable to the Exceeded Conversion Shares (including but not limited to the Conversion Rights) shall only cease on the date when the Company has paid in full to the relevant Bondholder(s) an amount in cash equal to the number of the Exceeded Conversion Shares multiplied by the Closing Price of the conversion date (as if such Shares will be converted), whilst failure to pay in full such cash amount in respect of the Exceeded Conversion Shares within five Business Days after the conversion date shall constitute an Event of Default.

Save as disclosed above, there are no other amendments to the terms and conditions of the Convertible Bonds.

As at the date of this announcement, none of the Convertible Bonds have been redeemed or converted.

The Purchaser, as the one and only one Bondholder as at the date of the Supplemental Deed, gave the Bondholders' Approval pursuant to the Bond Conditions, and agreed to the Proposed Amendments to be made to the Bond Conditions by the Company with effect from the Effective Date, subject to the satisfaction of the Conditions Precedent.

Waivers

Pursuant to the Supplemental Deed, the Purchaser has also agreed to waive the following Default Interests from the Effective Date ("**Waivers**");

- a. the Default Interest accrued to it in respect of the breach by the Company of the Net Asset Covenant as at 31 December 2016; and
- b. the Default Interest accrued to it as a result of the failure by (i) the Chargor, within three Business Days from the day on which the Security Top-Up Triggering Event occurred, to complete the grant of Additional Security by transferring such number of additional Shares beneficially owned by the Chargor and free from encumbrances to the CCBI Account; and/or (ii) the Company in redeeming certain portion of the outstanding principal amount of the Convertible Bonds as directed by the Purchaser, in order to restore the Collateral Coverage Ratio to not less than 2.0 upon the occurrence of a Security Top-up Triggering Event which took place on 17 May 2017, in a manner as required by the Transaction Documents.

Conditions Precedent

The Proposed Amendments and the Waivers are subject to the following Conditions Precedent being satisfied (or, if applicable, waived):

1. a written approval having been granted by the Stock Exchange in respect of:
 - (a) the Proposed Amendments; and
 - (b) the listing of, and a permission to deal in, the Series 2 CB Conversion Shares (as amended by the Supplemental Transaction Documents);
2. the Additional Security Shares not having been withdrawn from the CCBI Account;
3. the Warranties remaining true, accurate and not misleading in each case in accordance with their terms;
4. since the date of the Supplemental Deed, there having been, in the opinion of the Purchaser, no Material Adverse Change;
5. the following documents having been delivered by the Company to the Purchaser on or prior to the Effective Date:
 - (a) an original of the Supplemental Series 1 CB Instrument dated the Effective Date duly executed as a deed poll by the Company;
 - (b) an original of the Supplemental Series 2 CB Instrument dated the Effective Date duly executed as a deed poll by the Company;
 - (c) evidence of the transfer of the Additional Security Shares to the CCBI Account on 4 July 2017;

- (d) a copy of the written approval granted by the Stock Exchange regarding each of the following:
 - (i) the Proposed Amendments; and
 - (ii) the listing of, and a permission to deal in, the Series 2 CB Conversion Shares (as amended by the Supplemental Transaction Documents);
 - (e) an original of a duly executed certificate of each Obligor dated the Effective Date substantially in a form agreed by the parties to the Supplemental Deed; and
 - (f) a certified true copy of each of the resolutions of the board of directors of the Company and the resolutions of the sole director and the sole shareholder of the Chargor in relation to the Supplemental Transaction Documents;
6. receipt by the Purchaser on the Effective Date of a legal opinion as to the laws of Hong Kong issued by the Purchaser's Hong Kong legal counsel and addressed to and in a form satisfactory to the Purchaser, opining on, amongst other things, the legal, valid, binding and enforceable nature of the provisions of the Supplemental Transaction Documents as governed by the laws of Hong Kong.

The Purchaser may, at its absolute discretion and upon such terms as it thinks fit, waive compliance with any of the Conditions Precedent, save for Condition Precedent 1 above.

Amended initial Series 2 CB Conversion Price

The amended initial Series 2 CB Conversion Price of HK\$0.60 per Series 2 CB Conversion Share represents:

- i a discount of 50% to the initial Series 2 CB Conversion Price of HK\$1.20 per Series 2 CB Conversion Share;

- ii the initial Series 1 CB Conversion Price of HK\$0.60 per Series 1 CB Conversion Share;
- iii a premium of approximately 44.58% to the closing price of HK\$0.415 per Share as quoted on the Stock Exchange on 20 July 2017 (i.e. the date of the Supplemental Deed);
and
- iv a premium of approximately 45.63% to the average closing price of HK\$0.412 per Share as quoted on the Stock Exchange for the last five trading days prior to the date of the Supplemental Deed.

Based on the amended initial Series 2 CB Conversion Price of HK\$0.60 per Series 2 CB Conversion Share and the aggregate principal amount of the Series 2 CB of HK\$48,000,000, an aggregate of 80,000,000 new Shares shall be allotted and issued upon the full conversion of the Series 2 CB. Assuming there will be no change in the number of issued Shares between the date of this announcement and the date of allotment and issue of the Conversion Shares in respect of the Series 1 CB and the Series 2 CB, the 80,000,000 new Shares (in the aggregate nominal value of HK\$80,000) will represent (i) 8.00% of the issued capital of the Company as at the date of this announcement; (ii) approximately 7.41% of the issued share capital of the Company as enlarged by the issue and allotment of the Conversion Shares in respect of the Series 2 CB; and (iii) approximately 6.67% of the issued share capital of the Company as enlarged by the issue and allotment of the Conversion Shares in respect of the Series 1 CB and the Series 2 CB. Assuming the Conversion Rights attached to the Series 2 CB are exercised in full at the amended initial Series 2 CB Conversion Price of HK\$0.60 per Series 2 CB Conversion Share, the net subscription price for each Conversion Share under the Series 2 CB is approximately HK\$0.57.

Pursuant to the terms of the Series 2 CB (as amended by the Supplemental Transaction Documents), in the event that the number of Series 2 Conversion Shares to be issued upon the exercise of the Conversion Rights attached to the Series 2 CB based on the amended initial Series 2 CB Conversion Price as adjusted in accordance with the Bond Conditions (i.e. as a result of the Adjustment Events) exceeds 90,000,000 Shares issuable under the 2017 General Mandate, any rights attached to the principal amount of the Series 2 CB attributable to the Exceeded Conversion Shares (including but not limited to the Conversion Rights) shall only cease on the date when the Company has paid in full to the relevant Bondholder(s) an amount in cash equal to the number of the Exceeded Conversion Shares multiplied by the Closing Price of the conversion date (as if such Shares will be converted), whilst failure to pay in full such cash amount in respect of the Exceeded Conversion Shares within five Business Days after the conversion date shall constitute an Event of Default.

The Series 2 CB Conversion Shares (as amended by the Supplemental Transaction Documents) shall rank pari passu in all respects among themselves and with other Shares in issue on the date of allotment and issue of such Series 2 CB Conversion Shares.

Based on the initial Series 1 CB Conversion Price of HK\$0.60 per Series 1 CB Conversion Share and the amended initial Series 2 CB Conversion Price of HK\$0.60 per Series 2 CB Conversion Share, up to an aggregate of 200,000,000 new Shares will be allotted and issued (as to 120,000,000 under the General Mandate and 80,000,000 under the 2017 General Mandate) upon the full conversion of the Convertible Bonds.

As at the date of this announcement, no Conversion Shares have been issued pursuant to the Conversion Bonds.

General mandate to issue the Series 2 CB Conversion Shares

Conversion Shares falling to be allotted and issued under the Series 2 CB (as amended by the Supplemental Transaction Documents), shall be allotted and issued by the Company pursuant to the 2017 General Mandate, under which the Company is authorised to issue up to 200,000,000 new Shares until the revocation, variation or expiration of the 2017 General Mandate. The Company has not exercised the power to allot and issue any new Shares pursuant to the 2017 General Mandate as at the date of this announcement.

The allotment and issue of the Series 2 CB Conversion Shares (as amended by the Supplemental Transaction Documents) is not subject to the approval of the Shareholders.

SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the allotment and issue of only the Series 1 CB Conversion Shares upon full conversion of the Series 1 CB at the initial Series 1 CB Conversion Price of HK\$0.60; and (iii) immediately after the allotment and issue of the Conversion Shares upon full conversion of the Series 1 CB and the Series 2 CB at the initial Series 1 CB Conversion Price of HK\$0.60 and the amended initial Series 2 CB Conversion Price of HK\$0.60 respectively (assuming that there is no other change to the share capital of the Company from the date of this announcement until the completion of the conversion of the Convertible Bonds in full at their respective initial Conversion Prices) are set out below:

	(i) As at the date of this announcement		(ii) Immediately after the allotment and issue of only the Series 1 CB Conversion Shares upon full conversion of the Series 1 CB at the initial Series 1 CB Conversion Price		(iii) Immediately after the allotment and issue of the Conversion Shares upon full conversion of the Series 1 CB at the initial Series 1 CB Conversion Price and the Series 2 CB at the amended initial Series 2 Conversion Price	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
The Chargor (<i>Note 1</i>)	484,040,000	48.40	484,040,000	43.22	484,040,000	40.33
Mr. Shen Shun (<i>Note 2</i>)	2,500,000	0.25	2,500,000	0.22	2,500,000	0.21
Mr. Zhou Jian (<i>Note 3</i>)	2,000,000	0.20	2,000,000	0.18	2,000,000	0.17
Mr. Zhang Xiongfeng (<i>Note 4</i>)	14,000,000	1.40	14,000,000	1.25	14,000,000	1.17
Sub-total:	502,540,000	50.25	502,540,000	44.87	502,540,000	41.88
The Purchaser	–	–	120,000,000	10.71	200,000,000	16.67
Other public Shareholders	497,460,000	49.75	497,460,000	44.42	497,460,000	41.45
Total:	<u>1,000,000,000</u>	<u>100.00</u>	<u>1,120,000,000</u>	<u>100.00</u>	<u>1,200,000,000</u>	<u>100.00</u>

Notes:

1. The Chargor is wholly-owned by Mr. Chen.
2. Mr. Shen Shun is an executive Director.
3. Mr. Zhou Jian is an executive Director.
4. Mr. Zhang Xiongfeng is a non-executive Director.

LISTING RULES IMPLICATION

Pursuant to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities.

The Company has applied to the Stock Exchange for approval of the Proposed Amendments.

REASONS AND BENEFITS OF THE PROPOSED AMENDMENTS

The Group primarily operates in three business segments in China, namely (i) pharmaceutical distribution, (ii) self-operated retail pharmacies; and (iii) pharmaceutical manufacturing.

According to the audited consolidated accounts of the Group in the annual report of the Company for the year ended 31 December 2016, the net asset value of the Group as at 31 December 2016 amounted to approximately RMB724.8 million, which is below the requirement under the current Net Asset Covenant pursuant to the existing Bond Conditions. The Board therefore considers that there is an imminent need to amend the Net Asset Covenant in accordance with the Supplemental Transaction Documents.

In view of (a) the market price of the Shares having been below the initial Series 2 CB Conversion Price of HK\$1.20 since completion of the issue of the Convertible Bonds in December 2016; (b) the uncertainties as to the future price performance of the Shares; and (c) the initial Series 1 CB Conversion Price amounting to HK\$0.60, the Company has anticipated that the likelihood of the Bondholders exercising the Conversion Rights, in particular those attached to the Series 2 CB, prior to the maturity dates of the Convertible Bonds will be remote. The adjustment of the initial Series 2 CB Conversion Price from HK\$1.20 to HK\$0.60 will eliminate the discrepancy in the initial Conversion Prices between the Series 1 CB and the Series 2 CB under the existing terms and conditions of the Convertible Bonds, and enhance the likelihood of exercise of the Conversion Rights by the Bondholders, which will alleviate the financial burden on the Company to repay the Convertible Bonds.

The Proposed Amendments are arrived at after arm's length negotiation between the Company and the Purchaser. The Board considers that the terms and conditions of the Supplemental Deed are fair and reasonable, and the Proposed Amendments are in the interests of the Company and the Shareholders as a whole.

GENERAL

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Conversion Shares falling to be allotted and issued under Series 2 CB (as amended by the Supplemental Transaction Documents).

DEFINITIONS

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

“2017 AGM”	the annual general meeting of the Company held on 8 June 2017 at which, among other things, the 2017 General Mandate was granted to the Directors
“2017 General Mandate”	the general mandate granted to the Directors by the Shareholders at the 2017 AGM in the terms of the ordinary resolution set out in the notice of the 2017 AGM dated 28 April 2017
“Additional Security Shares”	6,000,000 Shares beneficially owned by the Chargor and free from encumbrances, which were transferred to the CCBI Account on 4 July 2017 as Additional Security
“Conditions Precedent”	the conditions precedent set out in the paragraph headed “Conditions Precedent” under the section headed “SUPPLEMENTAL DEED” in this announcement

“Effective Date”	the date which is the first Business Day after, and excluding, the date upon which the last of the Conditions Precedent (save for such Conditions Precedent which are required to be satisfied only on the Effective Date) has been satisfied or otherwise waived by the Purchaser, or such other date as the Company and the Purchaser may agree in writing
“Proposed Amendments”	the proposed amendments to the terms and conditions of the Convertible Bonds set out in the Bond Conditions attached to the CB Instruments
“Supplemental Bond Instruments”	the Supplemental Series 1 CB Instrument and the Supplemental Series 2 CB Instrument, or any of them, as the case may be
“Supplemental Deed”	the supplemental deed dated 20 July 2017 executed by the Company, the Chargor, Mr. Chen and the Purchaser, in relation to, among others, the Proposed Amendments
“Supplemental Series 1 CB Instrument”	the supplemental bond instrument of the Series 1 CB to be executed by the Company as a deed poll on the Effective Date in favour of the Purchaser with the Proposed Amendments to the Series 1 CB Conditions, which shall form an integral part of the Series 1 CB Instrument
“Supplemental Series 2 CB Instrument”	the supplemental bond instrument of the Series 2 CB to be executed by the Company as a deed poll on the Effective Date in favour of the Purchaser with the Proposed Amendments to the Series 2 CB Conditions, which shall form an integral part of the Series 2 CB Instrument

“Supplemental
Transaction
Documents”

collectively, the Supplemental Deed, the Supplemental
Series 1 CB Instrument and the Supplemental Series 2 CB
Instrument

On behalf of the Board
Pa Shun International Holdings Limited
Mr. Chen Yenfei
Chairman and Chief Executive Officer

Hong Kong, 20 July 2017

As at the date of this announcement, the executive Directors are Mr. Chen Yenfei, Mr. Shen Shun and Mr. Zhou Jian; the non-executive Directors are Mr. Zhang Xiongfeng and Mr. Masahiro Honna; and the independent non-executive Directors are Mr. Liu Liangzhong, Mr. Wong Tak Shing and Mr. Min Feng.