

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



百信集團
PASHUN GROUP

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 574)

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

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

Reference is made to (i) the announcement of the Company dated 15 December 2016 in relation to the Subscription Agreement for the issue of the Series 1 CB and the Series 2 CB in the aggregate principal amounts of HK\$72,000,000 and HK\$48,000,000, respectively, by the Company; (ii) the announcement of the Company dated 29 December 2016 in relation to completion of the issue of the Convertible Bonds; and (iii) the announcement of the Company dated 20 July 2017 in relation to the Supplemental Deed for the amendments of certain terms and conditions of the Convertible Bonds.

On 29 May 2018 (after trading hours), the Company executed the Second Supplemental Deed with the Chargor, Mr. Chen and the Purchaser, pursuant to which the parties conditionally agreed to, among others, further amend certain terms of the Subscription Agreement and enter into the Second Supplemental Bond Instruments to further amend certain terms and conditions and obtain waiver to certain covenant of the Convertible Bonds.

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 Second Amendments.

Reference is made to (i) the announcement of the Company dated 15 December 2016 in relation to the Subscription Agreement for the issue of the Series 1 CB and the Series 2 CB in the aggregate principal amounts of HK\$72,000,000 and HK\$48,000,000, respectively, by the Company; (ii) the announcement of the Company dated 29 December 2016 in relation to completion of the issue of the Convertible Bonds; and (iii) the announcement of the Company dated 20 July 2017 in relation to the Supplemental Deed for the amendments of certain terms and conditions of the Convertible Bonds (collectively, the “**Announcements**”). 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, the Company executed the Supplemental Deed with the Chargor, Mr. Chen and the Purchaser, pursuant to which the parties conditionally agreed to, among others, amend certain terms of the Subscription Agreement and enter into the Supplemental Bond Instruments to amend certain terms and conditions and obtain waiver to certain covenant of the Convertible Bonds.

On 2 August 2017, the Supplemental Bond Instruments were executed by the Company to amend and supplement certain conditions attached to the CB Instruments to reflect the amendments to the Subscription Agreement as agreed under the Supplemental Deed.

On 29 May 2018 (after trading hours), the Company executed the Second Supplemental Deed with the Chargor, Mr. Chen and the Purchaser, pursuant to which the parties conditionally agreed to, among others, further amend certain terms of the Subscription Agreement and enter into the Second Supplemental Bond Instruments to further amend certain terms and conditions and obtain waiver to certain covenant of the Convertible Bonds.

SECOND SUPPLEMENTAL DEED

Date

29 May 2018 (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, each of the Purchaser and its ultimate beneficial owners is a third party independent of the Company and connected persons of the Company.

Proposed Second Amendments

Under the Subscription Agreement, among other things, each Obligor acknowledges, agrees and undertakes that for so long as any Convertible Bonds remain outstanding, if the Collateral Coverage Ratio for any Trading Day falls below 1.6 (“**Security Top-Up Triggering Event**”):

- (a) the Chargor shall, within three (3) Business Days from the day on which the Security Top-Up Triggering Event occurs, complete the grant of Security over additional Shares (“**Additional Security**”) by transferring such number of additional Shares which are beneficially owned by the Chargor and free from encumbrances to the CCBI Account (or through any other actions or mechanisms satisfactory to the Purchaser at its absolute discretion) so that, on the Trading Day during which the grant of such Additional Security is completed, the Collateral Coverage Ratio will increase to no less than 2.0, provided that the Chargor shall promptly at its own cost do all things and/or take all actions as the Purchaser may specify; and/or

- (b) the Company shall redeem such portion of the outstanding principal amount of the Convertible Bonds as directed by the Purchaser so that, on the Trading Day on which such redemption is completed, the Collateral Coverage Ratio will increase to no less than 2.0, provided that the redemption date shall be within three (3) Business Days from the day on which the Security Top-Up Triggering Event occurs and that such portion of the outstanding principal amount of the Convertible Bonds shall be redeemed at a redemption amount equal to the aggregate of:
 - (i) the aggregate principal amount of the Convertible Bonds being the subject of the redemption;
 - (ii) any accrued but unpaid interest and annual fees on the Convertible Bonds being the subject of the redemption; and
 - (iii) such additional amount which would make up an Internal Rate of Return of 10% on the aggregate principal amount of the Convertible Bonds from the Closing Date until the date of redemption.

Pursuant to the Second Supplemental Deed, the Company, the Chargor, Mr. Chen and the Purchaser conditionally agreed to, among others, further amend certain terms of the Subscription Agreement and enter into the Second Supplemental Bond Instruments to further amend certain terms and conditions and obtain waiver to certain covenant of the Convertible Bonds, in particular, that the Security Top-Up Triggering Event would be amended to refer to a situation where the Collateral Coverage Ratio on any Trading Day falls below 1.75 for three consecutive Trading Days, instead of the original situation where the Collateral Coverage Ratio on any Trading Day falls below 1.6 as mentioned above.

Save as disclosed above, there are no other proposed 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 Second Supplemental Deed, gave the Bondholders' Approval pursuant to the Bond Conditions, and agreed to the Proposed Second Amendments to be made to the Bond Conditions by the Company with effect from the Second Amendments Effective Date, subject to the satisfaction of the Second Amendments Conditions Precedent.

Second Waiver

Pursuant to the Second Supplemental Deed, the Purchaser has also agreed to, upon the Purchaser having received a payment of a partial Default Interest in the amount of HK\$800,000 one (1) Business Day from the Company or Mr. Chen before and excluding the Second Amendments Effective Date, waive, with effect from the Second Amendments Effective Date, the balance of an accrued and unpaid Default Interest in the amount of HK\$4,600,000 ("**Second Waiver**") payable by the Company resulting from the breach by the Obligors of their undertaking given under the Subscription Agreement and the breach by the Company of its undertaking given under the Bond Conditions, as the Collateral Coverage Ratio was not restored to not less than 2.0 upon the occurrence of a Security Top-Up Triggering Event taking place from 12 December 2017 to 13 March 2018 in a manner as required by the Transaction Documents which constitutes an Event of Default pursuant to the Bond Conditions.

Second Amendments Conditions Precedent

The Proposed Second Amendments and the Second Waiver are subject to the following Second Amendments Conditions Precedent being satisfied:

1. a written approval having been granted by the Stock Exchange regarding the Proposed Second Amendments;
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 Second 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 Second Amendments Effective Date:
 - (a) an original of the Second Supplemental Series 1 CB Instrument dated the Second Amendments Effective Date duly executed as a deed poll by the Company;
 - (b) an original of the Second Supplemental Series 2 CB Instrument dated the Second Amendments Effective Date duly executed as a deed poll by the Company;
 - (c) a copy of the written approval granted by the Stock Exchange regarding the Proposed Second Amendments;
 - (d) an original of a duly executed certificate of each Obligor dated the Second Amendments Effective Date substantially in a form agreed by the parties to the Second Supplemental Deed; and
 - (e) 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 Second Supplemental Transaction Documents;

6. receipt by the Purchaser on the Second Amendments 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 Second Supplemental Transaction Documents as governed by the laws of Hong Kong; and
7. receipt by the Purchaser of the payment of the partial Default Interest in the amount of HK\$800,000 by the Company or Mr. Chen in accordance with the terms of the Second Supplemental Deed.

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

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 Second Amendments.

REASONS AND BENEFITS OF THE PROPOSED SECOND AMENDMENTS

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

In view of the fluctuating market prices of the Shares, the Board considers there is difficulty in restoring the Collateral Coverage Ratio following a Security Top-Up Triggering Event in view of the time constraint and there is an imminent need to amend the meaning of a Security Top-Up Triggering Event in accordance with the Second Supplemental Transaction Documents.

The amendment to the meaning of a Security Top-Up Triggering Event is expected to alleviate the burden on the Chargor to provide Additional Security or the Company to redeem necessary portion(s) of the outstanding principal amount of the Convertible Bonds to restore the required Collateral Coverage Ratio within the prescribed time period.

The Proposed Second 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 Second Supplemental Deed are fair and reasonable, and the Proposed Second Amendments are in the interests of the Company and the Shareholders as a whole.

DEFINITIONS

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

“Proposed Second Amendments”	the proposed further amendments to certain terms of the Subscription Agreement and the terms and conditions of the Convertible Bonds set out in the Second Supplemental Bond Instruments, as described in the paragraph headed “Proposed Second Amendments” under the section headed “Second Supplemental Deed” in this announcement
“Second Amendments Conditions Precedent”	the conditions precedent to the Proposed Second Amendments set out in the paragraph headed “Second Amendments Conditions Precedent” under the section headed “Second Supplemental Deed” in this announcement
“Second Amendments Effective Date”	the date which is the first Business Day after, and excluding, the date upon which the last of the Second Amendments Conditions Precedent (save for such Second Amendments Conditions Precedent which are required to be satisfied only on the Second Amendments 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

“Second Supplemental Bond Instruments”	the Second Supplemental Series 1 CB Instrument and the Second Supplemental Series 2 CB Instrument, or any of them, as the case may be
“Second Supplemental Deed”	the supplemental deed dated 29 May 2018 executed by the Company, the Chargor, Mr. Chen and the Purchaser, in relation to, among others, the Proposed Second Amendments
“Second 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 Second Amendments Effective Date in favour of the Purchaser with the Proposed Second Amendments to the Series 1 CB Conditions, which shall form an integral part of the Series 1 CB Instrument
“Second 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 Second Amendments Effective Date in favour of the Purchaser with the Proposed Second Amendments to the Series 2 CB Conditions, which shall form an integral part of the Series 2 CB Instrument
“Second Supplemental Transaction Documents”	collectively, the Second Supplemental Deed, the Second Supplemental Series 1 CB Instrument and the Second 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, 29 May 2018

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