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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)

**CONNECTED TRANSACTION IN RELATION TO
SUBSCRIPTION FOR CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE
AND
APPLICATION FOR WHITEWASH WAIVER**

**SUBSCRIPTION FOR CONVERTIBLE BONDS UNDER SPECIFIC
MANDATE**

On 27 June 2018 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the Convertible Bonds in the aggregate principal amount of HK\$134,500,000. Completion is subject to the conditions precedent of the Subscription Agreement. Detailed terms of the Convertible Bonds are set out in the paragraph headed “Terms of the Convertible Bonds” in this announcement.

Under the terms and conditions of the Convertible Bonds, the Convertible Bonds will not bear any interest. The Convertible Bonds are convertible into Conversion Shares at a Conversion Price of HK\$0.50 per Share (subject to adjustments). The maturity of the Convertible Bonds will be the date falling on the second anniversary of the date of issue of the Convertible Bonds.

The gross proceeds and net proceeds from the issue of the Convertible Bonds will be HK\$134,500,000 and approximately HK\$132,755,000 respectively. It is intended that the Company shall utilise the net proceeds from the issue of the Convertible Bonds for the repayment of the CCB Convertible Bonds.

For illustration purpose only, assuming full conversion of the Convertible Bonds at the Conversion Price, 269,000,000 Conversion Shares will be issued, representing approximately 25.27% of the existing issued share capital of the Company and approximately 20.17% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares (assuming that there is no change in the issued share capital of the Company between the date of this announcement up to Completion).

The Conversion Shares, upon conversion of the Convertible Bonds, will be allotted and issued under a specific mandate to be approved by an ordinary resolution by the Independent Shareholders at the EGM.

LISTING RULES IMPLICATIONS

The Subscriber is the Controlling Shareholder, the chairman of the Board and the Chief Executive Officer of the Company and is therefore a connected person of the Company. Accordingly, the transaction contemplated under the Subscription Agreement constitutes a connected transaction on the part of the Company, and is subject to the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

WHITEWASH WAIVER

As at the date of this announcement, the Subscriber is beneficially interested in 484,040,000 Shares, representing approximately 45.47% of the existing issued share capital of the Company. Upon full conversion of the Convertible Bonds, 269,000,000 Conversion Shares will be allotted and issued to the Subscriber (or his nominee) and the interests of the Subscriber and parties acting in concert with him in the voting rights of the Company will increase from approximately 45.47% to approximately 56.47% (assuming that there is no change in the issued share capital of the Company up to the Completion). Accordingly, the Subscriber would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by him pursuant to Rule 26.1 of the Takeovers Code as such increase will have the effect of increasing the Subscriber's holding of voting rights of the Company by more than 2% from the lowest percentage holding of the Subscriber within the period of 12 months, unless the Whitewash Waiver is obtained from the Executive.

An application to the Executive for the Whitewash Waiver in respect of the allotment and issue of the Conversion Shares will be made by the Subscriber. The Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval by the Independent Shareholders at the EGM by way of poll. The Subscriber and parties acting in concert with him and their respective associates and any other Shareholders who are involved or interested in the Subscription Agreement and/or the Whitewash Waiver shall abstain from voting at the EGM in respect of the resolution(s) approving the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver. The Subscription Agreement and the transactions contemplated thereunder will not proceed if the Whitewash Waiver is not granted by the Executive or the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver are not approved by the Independent Shareholders at the EGM.

GENERAL

The Whitewash Independent Board Committee comprising the non-executive Director and all the independent non-executive Directors in compliance with Rule 2.8 of the Takeovers Code will be formed to advise the Independent Shareholders on the terms of the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver and as to voting, and the Connected Transaction Independent Board Committee comprising all the independent non-executive Directors will be formed to advise the Independent Shareholders on the terms of the Subscription Agreement and the transactions contemplated thereunder. None of the members of the Connected Transaction Independent Board Committee nor the Whitewash Independent Board Committee has any interest or involvement in the transactions contemplated under the Subscription Agreement or the Whitewash Waiver. An independent financial adviser will be appointed with the approval of the Connected Transaction Independent Board Committee and the Whitewash Independent Board Committee to advise the Connected Transaction Independent Board Committee and the Whitewash Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder as well as the Whitewash Waiver and as to voting.

The EGM will be held to consider and, if thought fit, pass the requisite resolutions to approve, among other things: (i) the Subscription Agreement and the transactions contemplated thereunder; (ii) the specific mandate for the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds; and (iii) the Whitewash Waiver. The voting in relation to the Subscription Agreement and the Whitewash Waiver at the EGM will be conducted by way of a poll whereby the Subscriber and parties acting in concert with him and their respective associates and other Shareholders who are interested or involved in the Subscription Agreement and/or the Whitewash Waiver shall abstain from voting on the relevant resolution(s) to be proposed at the EGM to approve the Subscription Agreement and the Whitewash Waiver.

A circular containing, among other things, (i) further details of the Subscription Agreement; (ii) the Whitewash Waiver; (iii) recommendation of the Connected Transaction Independent Board Committee and the Whitewash Independent Board Committee to the Independent Shareholders; (iv) the letter of advice from the independent financial adviser to the Connected Transaction Independent Board Committee and the Whitewash Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the Whitewash Waiver; and (v) a notice of EGM will be despatched by the Company to the Shareholders within 21 days from the date of this announcement in compliance with Rule 8.2 of the Takeovers Code.

Shareholders and potential investors should note that the Whitewash Waiver is a possibility only and may not be granted by the Executive.

The Subscription Agreement and the transactions contemplated thereunder are subject to the satisfaction (or, if applicable, waiver) of a number of conditions as set out in this announcement and, accordingly, the Subscription may or may not proceed. The issue of this announcement does not in any way imply that the Subscription Agreement will be implemented or completed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional adviser.

THE SUBSCRIPTION

On 27 June 2018 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber. Details of the Subscription Agreement and the principal terms of the Convertible Bonds are set out below.

THE SUBSCRIPTION AGREEMENT

Date: 27 June 2018

Parties: (i) the Subscriber; and
(ii) the Company.

INFORMATION ON THE SUBSCRIBER

The Subscriber is the Controlling Shareholder, the chairman of the Board and the Chief Executive Officer of the Company and is therefore a connected person of the Company. As at the date of this announcement, the Subscriber is beneficially interested in 484,040,000 Shares, representing approximately 45.47% of the existing issued share capital of the Company.

Subscription

Pursuant to the Subscription Agreement, the Company conditionally agreed to issue, and the Subscriber conditionally agreed to subscribe, for the Convertible Bonds in the aggregate principal amount of HK\$134,500,000, which may be converted into 269,000,000 Conversion Shares based on the initial Conversion Price upon full conversion.

TERMS OF THE CONVERTIBLE BONDS

Interest

The Convertible Bonds shall not carry any interest.

Maturity

The maturity of the Convertible Bond will be the date falling on the second anniversary of the date of issue of the Convertible Bond. Unless previously redeemed, converted or purchased and cancelled, the Company shall redeem each Convertible Bond which remains outstanding by 4:00 p.m. on the Maturity Date at 100% of the principal amount of such outstanding Convertible Bond.

Status of the Convertible Bonds

The Convertible Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Company under the Convertible Bonds shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any stock or securities exchange.

Number of Conversion Shares issuable

Under the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the Convertible Bonds. As at the date of this announcement, there were 1,064,564,000 Shares in issue and upon full conversion of the Convertible Bonds, the Conversion Shares represent (i) approximately 25.27% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 20.17% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Conversion Shares between the date of this announcement up to the full conversion of the Convertible Bonds).

Conversion Rights and conversion restrictions

The Bondholder may convert the whole or part (in multiple of HK\$10,000,000) of the principal amount of the Convertible Bonds into the Conversion Shares at the initial Conversion Price for the period commencing from the date of issue of the Convertible Bonds up to the Maturity Date provided that:

- (i) any conversion of the Convertible Bonds will not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code or such mandatory offer obligation has been waived by the Executive on the part of the Bondholder and any parties acting in concert with it (as defined in the Takeovers Code); and
- (ii) the exercise of the Convertible Bonds will not cause the Company to be unable to meet the public float requirement under the Listing Rules.

Ranking of the Conversion Shares

The Conversion Shares shall rank pari passu in all respects with the Shares in issue on the date of allotment and issue of such Conversion Shares.

Conversion period

The Bondholder will have the right to convert the whole or part of the principal amount of the Convertible Bonds into Conversion Shares from the date of the issue of the Convertible Bonds up to 4:00 p.m. on the day immediately prior to the Maturity Date in amounts of not less than a whole multiple of HK\$10,000,000 on each conversion.

Conversion Price

The price at which Conversion Shares will be issued upon exercise of the Conversion Rights will be HK\$0.50 per Share. The Conversion Price represents:

- (i) a premium of approximately 4.17% over the closing price of HK\$0.48 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 4.17% over the average closing price of approximately HK\$0.48 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and
- (iii) a discount of approximately 40.48% to the Group's audited consolidated net assets per Share as at 31 December 2017 of approximately HK\$0.84 (based on the then total 1,064,564,000 Shares as at 31 December 2017).

The Conversion Price was determined after arm's length negotiations between the Company and the Subscriber having regard to the closing price of HK\$0.48 per Share as quoted on the Stock Exchange on the Last Trading Day under the prevailing market conditions. As the Conversion Price is at a premium over the closing price of HK\$0.48 per Share as quoted on the Stock Exchange on the Last Trading Day, the Directors (other than Mr. Chen Yenfei, who is the Subscriber and was required to abstain from voting on the relevant Board resolution(s) approving the Subscription Agreement by virtue of him having a material interest in the Subscription and the independent non-executive Directors who will form their view after taking advice from the independent financial adviser) consider the Conversion Price is fair and reasonable.

Adjustment events

The Conversion Price shall from time to time be subject to adjustment upon occurrence of certain events:

- (i) consolidation or subdivision of the Shares;
- (ii) capitalisation of profits or reserves;
- (iii) capital distribution;
- (iv) offer of Conversion Shares for subscription by way of rights, or a grant of options or warrants to subscribe for Conversion Shares, at a price which is less than 80% of the market price per Share to the Shareholders;
- (v) issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for Conversion Shares, if in any case the total effective consideration per new Share receivable is less than 80% of the market price, or the conversion, exchange or subscription rights of any such issue are altered so that the said total effective consideration receivable is less than 80% of such market price;
- (vi) issue of the Shares being made wholly for cash at a price less than 80% of the market price per Share;
- (vii) an issue of Shares for the acquisition of asset at a total effective consideration per Share which is less than 80% of the market price of the Shares; and
- (viii) issue (other than in lieu of a cash dividend) of any Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund).

Voting rights

The Bondholder shall not be entitled to attend or vote at any general meetings of the Shareholders of the Company by reason only it being the Bondholder.

Transfer

The Bondholder may assign or transfer the Convertible Bonds to the transferee subject to the prior notification to the Company. The Convertible Bonds may not be assigned or transferred, in whole or in part, to any connected person of the Company (as defined under the Listing Rules) without prior written consent of the Company. The Convertible Bonds may be assigned or transferred in whole or in part (provided that the principal amount to be assigned or transferred shall be at least HK\$10,000,000 and in integral multiples of HK\$10,000,000 unless the outstanding principal amount of the Convertible Bonds is less than HK\$10,000,000 in which case the whole (but not part only) of that amount may be assigned and transferred) of its outstanding principal amount and the Company shall facilitate any such assignment or transfer of the Convertible Bonds, including making any necessary applications to the Stock Exchange for the said approval (if required).

Form and denomination

The Convertible Bonds will be issued in registered form in the denomination of HK\$10,000,000 each.

Conditions of the Subscription

Completion is conditional upon each of the following conditions being satisfied or, if applicable, waived:

- (i) the Listing Committee of the Stock Exchange having granted the listing of and permission to deal in the Conversion Shares;
- (ii) the passing by the Independent Shareholders who are entitled to vote and not required to be abstained from voting under the Listing Rules and the Takeovers Code at the EGM of the necessary resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder;
- (iii) the warranties under the Subscription Agreement remaining true, accurate and complete in all material respects;
- (iv) all necessary consents and approvals required to be obtained on the part of the Company and the Subscriber in respect of the Subscription Agreement and the transactions contemplated thereby having been obtained; and
- (v) the granting of the Whitewash Waiver by the Executive.

The condition set out in paragraph (iii) above may be waived by the Subscriber. None of the other conditions may be waived. In the event that any of the conditions have not been satisfied (or, if applicable, waived) by the Long Stop Date, the Subscription Agreement will lapse and the parties thereto will be released from all obligations thereunder, save for liabilities for any antecedent breaches of the Subscription Agreement.

Completion of the Subscription

Subject to fulfillment (or, if applicable, waiver) of the conditions, Completion shall take place no later than thirty five Business Days after the satisfaction or waiver (where applicable) of the conditions or at such other date to be agreed between the Subscriber and the Company.

Application for listing

Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

EFFECTS OF THE FULL CONVERSION OF THE CONVERTIBLE BONDS

The shareholdings in the Company as at the date of this Announcement (based on information received by the Company and notified pursuant to Part XV of the SFO) and immediately after conversion in full of the Convertible Bonds (assuming that there is no other change in the issued share capital of the Company) are summarised as follows:

Shareholders	As at the date of this announcement		Upon immediately conversion in full of the Convertible Bonds and before the exercise of the outstanding share options		Upon immediately conversion in full of the Convertible Bonds and the exercise of the outstanding share options	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
The Subscriber	484,040,000	45.47	753,040,000	56.47	753,040,000	52.53
Public shareholders	580,524,000	54.53	580,524,000	43.53	580,524,000	40.50
Holders of share options (<i>Note 1</i>)	—	—	—	—	100,000,000	6.97
Total	<u>1,064,564,000</u>	<u>100.00</u>	<u>1,333,564,000</u>	<u>100.00</u>	<u>1,433,564,000</u>	<u>100.00</u>

- Note:* 1. The share options refer to the outstanding 100,000,000 share options granted by the Company on 8 July 2016 pursuant to the share option scheme of the Company adopted on 26 May 2015.
2. As the CCB Convertible Bonds will be fully redeemed by the Company upon completion of the Subscription by utilising the net proceeds from the Subscription, the above table does not illustrate the effect of full conversion of the CCB Convertible Bonds.

Share options and CCB Convertible Bonds

As at the date of this announcement, 100,000,000 outstanding share options have been granted by the Company on 8 July 2016 pursuant to the share option scheme of the Company adopted on 26 May 2015. On 29 December 2016, the Company issued the CCB Convertible Bonds in the aggregate principal amount of HK\$120,000,000.

Save as the aforesaid, the Company has no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the date of this announcement.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

As announced by the Company on 29 December 2016, the Company issued the CCB Convertible Bonds in the aggregate principal amount of HK\$120,000,000. The CCB Convertible Bonds will be due on the second anniversary of the issue date of the CCB Convertible Bonds (i.e. 29 December 2018). The holder of the CCB Convertible Bonds is not a shareholder of the Company as at the date of this announcement. If the CCB Convertible Bonds are not extended prior to the maturity date, which is subject to the prior written approval of the holder of the CCB Convertible Bonds pursuant to the terms of the CCB Convertible Bonds and the holder of the CCB Convertible Bonds does not exercise the conversion rights attaching to the CCB Convertible Bonds before the maturity date of the CCB Convertible Bonds, which is not likely as the conversion price of the CCB Convertible Bonds is higher than the current market price of shares of the Company, the Company will be obliged to repay the total outstanding principal amount and interests accrued under the CCB Convertible Bonds on the maturity date. As disclosed in the annual report of the Company for the year ended 31 December 2017, the Group funds its operations principally from cash generated from its operations, bank borrowings and other debt instruments and equity financing from investors. Its cash requirements relate primarily to operating activities, business expansion, repayment of liabilities as they become due, capital expenditures, interest and dividend payments. The Group had total cash and cash equivalents of approximately RMB35 million as at 31 December 2017. If the CCB Convertible Bonds become due, the Company may not have sufficient cash to repay the outstanding amount of the CCB Convertible Bonds.

Taking into account (i) the Convertible Bonds shall not bear any interest; (ii) there is an annual fee of 1% of the aggregate principal amount of the outstanding CCB Convertible Bonds where as there is no such annual fee under the terms of the Convertible Bonds; and (iii) the Conversion Price of HK\$0.50 of the Convertible Bonds is equivalent to the closing price of HK\$0.50 per Share as quoted on the Stock Exchange on the Last Trading Day whereas the conversion price of the CCB Convertible Bonds is HK\$0.6 and at a premium over the closing price of HK\$0.50 per Share as quoted on the Stock Exchange on the Last Trading Day, the Board (other than Mr. Chen Yenfei, who is the Subscriber and was required to abstain from voting on the relevant Board resolution(s) approving the Subscription Agreement by virtue of him having a material interest in the Subscription and the independent non-executive Directors who will form their view after taking advice from the independent financial adviser) considered that the terms of the Convertible Bonds are more favourable to the Company compared with the CCB Convertible Bonds.

The Company intends to issue the Convertible Bonds, the net proceeds of which will be utilised to redeem the CCB Convertible Bonds, the outstanding interest and all relevant cost of the Company to redeem the CCB Convertible Bonds in the aggregate amount of HK\$132,755,000. The issue of the Convertible Bonds to redeem the CCB Convertible Bonds will release financial pressure of the Group to repay the CCB Convertible Bonds when they fall due and improve overall financial position of the Group. The Company will, after the Subscription Agreement has become unconditional, give not less than thirty (30) Business Days' notice to the holder of the CCB Convertible Bonds for the early redemption of the CCB Convertible Bonds such that the Company will, upon Completion, apply the net proceeds to redeem the CCB Convertible Bonds.

The Company has considered other alternative fundraising methods such as debt financing, placing of new shares and rights issue or open offer. The Board considered that debt financing may incur interest burden on the Group and may be subject to lengthy due diligence and negotiations with the banks with reference to the Group's financial position and the then financial market condition and it may be relatively uncertain and time-consuming. The Board considered that the Company will need to pay commission to the placing agent and the Company will incur additional costs to raise fund by way of placing. It is also commercially impracticable to place new shares at the current market price of shares of the Company as there will be no incentive for the investors to acquire shares of the Company through the placing agent provided that they could have acquired the shares of the Company at the same price on the market. The Board also considered that the Company will incur additional time and costs to raise fund by way of rights issue or open offer as these will involve the registration and issue of prospectus and offer documents by the Company and will be subject to the approval by the Stock Exchange. The Company will also incur underwriting commission and additional administrative and professional expenses to comply with the requirements under the Listing Rules to raise fund by way of rights issue or open offer.

Based on the above, the Directors (other than Mr. Chen Yenfei, who is the Subscriber and was required to abstain from voting on the relevant Board resolution(s) approving the Subscription Agreement by virtue of him having a material interest in the Subscription) consider that the terms and conditions of the Subscription Agreement as well as the terms of the Convertible Bonds are fair and reasonable, on normal commercial terms, and in the interests of the Group and the Shareholders as a whole.

The gross proceeds and net proceeds from the issue of the Convertible Bonds will be HK\$134,500,000 and estimated to be approximately HK\$132,755,000 respectively. Based on the estimated net proceeds from the issue of the Convertible Bonds and a total of 269,000,000 Conversion Shares to be issued at the initial Conversion Price of HK\$0.50 upon exercise of the Conversion Rights in full, the net subscription price per Share would be approximately HK\$0.49.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company did not raise funds on any issue of equity securities raising activities during the past twelve months immediately preceding the date of this announcement.

LISTING RULES IMPLICATIONS

The Subscriber is the Controlling Shareholder, the chairman of the Board and the Chief Executive Officer of the Company and is therefore a connected person of the Company. Accordingly, the transaction under the Subscription Agreement constitutes a connected transaction of the Company, and is subject to the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

WHITEWASH WAIVER

As at the date of this announcement, the Subscriber is beneficially interested in 484,040,000 Shares, representing approximately 45.47% of the existing issued share capital of the Company. Upon full conversion of the Convertible Bonds, 269,000,000 Conversion Shares will be allotted and issued to the Subscriber (or his nominee) and the interests of the Subscriber and parties acting in concert with him in the voting rights of the Company will increase from approximately 45.47% to approximately 56.47% (assuming that there is no change in the issued share capital of the Company up to the Completion). Accordingly, the Subscriber would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by him pursuant to Rule 26.1 of the Takeovers Code as such increase will have the effect of increasing the Subscriber's holding of voting rights of the Company by more than 2% from the lowest percentage holding of the Subscriber within the period of 12 months, unless the Whitewash Waiver is obtained from the Executive.

An application to the Executive for the Whitewash Waiver in respect of the allotment and issue of the Conversion Shares will be made by the Subscriber. The Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval by the Independent Shareholders at the EGM by way of poll. The Subscriber and parties acting in concert with him and their respect associates and any other Shareholders who are involved or interested in the Subscription Agreement and/or the Whitewash Waiver shall abstain from voting at the EGM in respect of the resolution(s) approving the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver. The Subscription Agreement and the transactions contemplated thereunder will not proceed if the Whitewash Waiver is not granted by the Executive or the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver are not approved by the Independent Shareholders at the EGM.

As at the date of this announcement, the Company does not believe that the Subscription gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the 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 to be issued in relation to the Subscription Agreement and the Whitewash Waiver. The Company notes that the Executive may not grant the Whitewash Waiver if the Subscription does not comply with other applicable rules and regulations.

BOARD COMMITTEES

The Whitewash Independent Board Committee comprising the non-executive Director and all the independent non-executive Directors in compliance with Rule 2.8 of the Takeovers Code will be formed to advise the Independent Shareholders on the terms of the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver and as to voting, and the Connected Transaction Independent Board Committee comprising all the independent non-executive Directors will be formed to advise the Independent Shareholders on the terms of the Subscription Agreement and the transactions contemplated thereunder. None of the members of the Connected Transaction Independent Board Committee nor the Whitewash Independent Board Committee has any interest or involvement in the transactions contemplated under the Subscription Agreement or the Whitewash Waiver. An independent financial adviser will be appointed with the approval of the Connected Transaction Independent Board Committee and the Whitewash Independent Board Committee to advise the Connected Transaction Independent Board Committee and the Whitewash Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder as well as the Whitewash Waiver and as to voting.

INFORMATION REQUIRED UNDER THE TAKEOVERS CODE

Each of the Subscriber and the parties acting in concert with him has confirmed that neither the Subscriber nor any persons acting in concert with him:

- (a) has acquired or entered into any agreement or arrangement to acquire any voting rights in the Company within the six months prior to the date of this announcement;
- (b) owns any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of Shares nor has entered into any outstanding derivative in respect of securities in the Company;
- (c) has any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) with any other persons in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company and which might be material to the transactions contemplated under the Subscription Agreement and/or the Whitewash Waiver;

- (d) has received any irrevocable commitment from any Independent Shareholders as to whether they will vote for or against the resolution approving the transactions contemplated under the Subscription Agreement and/or the Whitewash Waiver;
- (e) has any agreements or arrangements to which he is a party which relate to the circumstances in which he may or may not invoke or seek to invoke a pre-condition or a condition to the transactions contemplated under the Subscription Agreement or the Whitewash Waiver (including any such agreements or arrangements that would result in any break fees being payable); and
- (f) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

GENERAL

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

The EGM will be held to consider and, if thought fit, pass the requisite resolutions to approve, among other things: (i) the Subscription Agreement and the transactions contemplated thereunder; (ii) the specific mandate for the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds; and (iii) the Whitewash Waiver. The voting in relation to the Subscription Agreement and the Whitewash Waiver at the EGM will be conducted by way of a poll whereby the Subscriber and parties acting in concert with him and their respective associates and other Shareholders who are interests or involved in the Subscription Agreement and/or the Whitewash Waiver shall abstain from voting on the relevant resolution(s) to be proposed at the EGM to approve the Subscription Agreement and the Whitewash Waiver.

A circular containing, among other things, (i) further details of the Subscription Agreement; (ii) the Whitewash Waiver; (iii) recommendation of the Connected Transaction Independent Board Committee and the Whitewash Independent Board Committee to the Independent Shareholders; (iv) the letter of advice from the independent financial adviser to the Connected Transaction Independent Board Committee and the Whitewash Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the Whitewash Waiver; and (v) a notice of the EGM will be despatched by the Company to the Shareholders within 21 days from the date of this announcement in compliance with Rule 8.2 of the Takeovers Code.

Shareholders and potential investors should note that the Whitewash Waiver is a possibility only and may not be granted by the Executive.

The Subscription Agreement and the transactions contemplated thereunder are subject to the satisfaction (or, if applicable, waiver) of a number of conditions as set out in this announcement and, accordingly, the Subscription may or may not proceed. The issue of this announcement does not in any way imply that the Subscription Agreement will be implemented or completed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional adviser.

DEFINITIONS

“acting in concert”	has the meaning ascribed to it under the Takeovers Code;
“associate”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of the Directors of the Company;
“Bondholder(s)”	holder(s) of Convertible Bonds;
“Business Day”	a day (excluding a Saturday, Sunday or public holiday) on which license banks generally are open for business in Hong Kong throughout their normal business hour;

“CCB Convertible Bonds”	the 4% secured guaranteed convertible bonds in the principal amount of HK\$72,000,000 and the 4% secured guaranteed convertible bonds in the principal amount of HK\$48,000,000 issued by the Company on 29 December 2016, further details of which are disclosed in the announcement of the Company dated 15 December 2016;
“Company”	Pa Shun International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange;
“Completion”	completion of the Subscription;
“Completion Date”	the date when Completion shall take place, which shall be no later than thirty five Business Days after the satisfaction (or waiver as the case may be) of the conditions;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Connected Transaction Independent Board Committee”	an independent committee of the Board to be established which comprises all the independent non-executive Directors to advise the Independent Shareholders on the fairness and reasonableness of terms of the Subscription Agreement, and to advise the Independent Shareholders how to vote at the EGM;
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules;
“Conversion Price”	the initial conversion price of the Convertible Bonds being HK\$0.50 (subject to adjustments) per Conversion Share;
“Conversion Rights”	the rights attached to the Convertible Bonds to convert the principal amount of the Convertible Bonds or part thereof into Conversion Shares;

“Conversion Shares”	the new Shares to be allotted and issued upon the exercise of the Conversion Rights;
“Convertible Bonds”	the unsecured non-interest bearing convertible bonds in the aggregate principal amount of HK\$134,500,000 to be issued by the Company to the Subscriber pursuant to the Subscription Agreement;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of approving, among others, the Subscription Agreement, the Whitewash Waiver and the specific mandate for the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds;
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Shareholders”	Shareholders other than the Subscriber and the parties acting in concert with him and their respective associates and those who are involved in or interested in the Subscription Agreement or the Whitewash Waiver and those who are required to abstain from voting in the EGM to consider the approve the Subscription under the Listing Rules and the Takeovers Code;
“Last Trading Day”	27 June 2018, being the last trading day of the Shares on the Stock Exchange prior to the publication of this announcement;

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	31 August 2018 or any other date to be agreed by the Subscriber and the Company in writing;
“Maturity Date”	the date falling on the second anniversary of the date of issue of the Convertible Bonds;
“parties acting in concert”	has the meaning ascribed to it under the Takeovers Code;
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC;
“SFC”	the Securities and Futures Commission of Hong Kong;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	the existing ordinary share(s) of HK\$0.001 each in the capital of the Company;
“Shareholder(s)”	holder(s) of Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscriber”	Mr. Chen Yenfei, the chairman of the Board and the Chief Executive Officer of the Company;
“Subscription”	the subscription by the Subscriber for the Convertible Bonds pursuant to the Subscription Agreement;
“Subscription Agreement”	the conditional subscription agreement dated 27 June 2018 entered into between the Company and the Subscriber relating to the Subscription;

“Takeovers Code”	Hong Kong Code on Takeovers and Mergers;
“Whitewash Independent Board Committee”	an independent committee of the Board established which comprises all the non-executive Directors and independent non-executive Directors in compliance with Rule 2.8 of the Takeovers Code, who has no direct or indirect interest in the Subscription Agreement or the Whitewash Waiver to advise the Independent Shareholders on the fairness and reasonableness of terms of the Subscription Agreement and the Whitewash Waiver, and to advise the Independent Shareholders how to vote at the EGM;
“Whitewash Waiver”	a waiver from the obligation of the Subscriber to make a mandatory general offer to the Shareholders in respect of the Shares and securities issued by the Company not already owned or agreed to be acquired by the Subscriber and the parties acting in concert with him as a result of the allotment and issue of the Conversion Shares in accordance with Note 1 on dispensations from Rule 26 of the Takeovers Code;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“%”	per cent.

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

Hong Kong, 27 June 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.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement 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.