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**百信集团**  
PASHUN GROUP

**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 ISSUE OF**  
**(1) HK\$72,000,000 4%**  
**SECURED GUARANTEED CONVERTIBLE BONDS**  
**DUE 2018 UNDER GENERAL MANDATE**  
**AND**  
**(2) HK\$48,000,000 4%**  
**SECURED GUARANTEED CONVERTIBLE BONDS**  
**DUE 2018 UNDER GENERAL MANDATE**  
**AND**  
**DISCLOSURE PURSUANT TO RULES 13.17 AND 13.18 OF**  
**THE LISTING RULES**

**PROPOSED ISSUE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE**

After trading hours on 15 December 2016, (i) the Company, (ii) Mr. Chen, the chairman, an executive Director and a controlling shareholder of the Company, (iii) the Chargor, a company wholly-owned by Mr. Chen, and (iv) the Purchaser entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to issue, and the Purchaser has conditionally agreed to purchase, the Series 1 CB in the principal amount of HK\$72,000,000 and the Series 2 CB in the principal amount of HK\$48,000,000, subject to the terms and conditions of the Subscription Agreement.

The Bondholders will be entitled to convert the outstanding principal amount of the Convertible Bonds into Conversion Shares at the relevant Conversion Price during the Conversion Period. Assuming the exercise in full of the Conversion Rights at the initial Series 1 CB Conversion Price of HK\$0.6 per Series 1 CB Conversion Share and the initial Series 2 CB Conversion Price of HK\$1.2 per Series 2 CB Conversion Share, an aggregate of 160,000,000 Conversion Shares will be issued, representing 16.00% of the issued share capital of the Company as at the date of this announcement and approximately 13.79% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares (assuming there is no other change in the issued share capital of the Company from the date of this announcement and until the full conversion of the Conversion Bonds at the initial Conversion Price).

The Conversion Shares will be allotted and issued under the General Mandate granted to the Directors at the AGM held on 1 June 2016. The allotment and issue of the Conversion Shares is not subject to the approval of the Shareholders.

The gross proceeds and net proceeds from the issue of the Convertible Bonds will be HK\$120 million and approximately HK\$113.1 million, respectively. It is expected that net proceeds will be applied to general working capital, business development and any future merger and acquisition transactions of the Group.

No listing of the Convertible Bonds will be sought on the Stock Exchange or any other stock exchanges. The Company shall apply to the Stock Exchange for the granting of the listing of, and permission to deal in, the Conversion Shares to be issued upon the exercise of the Convertible Rights.

## **IMPLICATIONS UNDER THE LISTING RULES**

Pursuant to the Subscription Agreement, Mr. Chen and the Chargor are required to provide security for the issue of the Convertible Bonds and the continuing terms of the Convertible Bonds. As at the date of this announcement, (i) Mr. Chen is the chairman, an executive Director and a controlling shareholder of the Company; and (ii) the Chargor is a company wholly-owned by Mr. Chen, and each of Mr. Chen and the Chargor is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Guarantee and the Share Charge constitute provision of financial assistance by Mr. Chen and the Chargor to the Company, and constitute connected transactions of the Company under

Chapter 14A of the Listing Rules. As the Guarantee and the Share Charge are provided for the benefit of the Company on normal commercial terms or better and no security over the assets of the Group is granted in respect of the Guarantee and the Share Charge, pursuant to Rule 14A.90 of the Listing Rules, each of the Guarantee and the Share Charge is exempt from the notification, announcement and independent Shareholders' approval requirements under the Listing Rules.

The charge of Shares by the Chargor requires disclosure pursuant to Rule 13.17 of the Listing Rules. Please refer to the paragraphs headed "Other covenants and undertakings" and "Share Charge" under the section headed "The Subscription Agreement" in this announcement for further details.

The Subscription Agreement and the Bond Conditions also contain certain specific performance obligations on Mr. Chen and the Chargor, which require disclosure pursuant to Rule 13.18 of the Listing Rules. Please refer to the paragraphs headed "Personal Guarantee" and "Share Charge" under the section headed "The Subscription Agreement" in this announcement for further details.

**Closing of the Subscription Agreement is subject to fulfillment and/or waiver of the Conditions. Accordingly, the Convertible Bonds may or may not be issued and/or the Conversion Shares may or may not be issued or listed, in full or at all. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

After trading hours on 15 December 2016, (i) the Company, (ii) Mr. Chen, the chairman, an executive Director and a controlling shareholder of the Company, (iii) the Chargor, a company wholly-owned by Mr. Chen, and (iv) the Purchaser entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to issue, and the Purchaser has conditionally agreed to purchase, the Series 1 CB in the principal amount of HK\$72,000,000 and the Series 2 CB in the principal amount of HK\$48,000,000, subject to the terms and conditions of the Subscription Agreement.

Principal terms of the Subscription Agreement are set out below.

## **THE SUBSCRIPTION AGREEMENT**

### **Date**

15 December 2016 (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:** 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, the Purchaser and its ultimate beneficial owners are Independent Third Parties.

Mr. Chen joined as a party to the Subscription Agreement as personal guarantor to guarantee the performance of the obligations of the Obligors under the Transaction Documents. Pursuant to the Subscription Agreement, on or prior to the Closing Date, (i) Mr. Chen shall execute the Guarantee to guarantee the punctual performance and observance by the Obligors of their obligations under the Transaction Documents in favour of the Purchaser; and (ii) the Company shall deliver to the Purchaser, among other things, the Share Charge over 474,040,000 Shares, representing approximately 47.40% of the issued share capital of the Company as at the date of this announcement, as security over the performance of the Obligors' obligations under the Transaction Documents duly executed by the Chargor.

### **Subject matter**

The Company has conditionally agreed to issue, and the Purchaser has conditionally agreed to purchase, the Series 1 CB in the principal amount of HK\$72,000,000 and the Series 2 CB in the principal amount of HK\$48,000,000, at 100% of the principal amount of the Series 1 CB and the Series 2 CB, respectively, subject to the terms and conditions of the Subscription Agreement.

### **Conditions precedent**

Closing shall be conditional upon the following Conditions being satisfied (or, if applicable, waived):

- (a) the Purchaser having been satisfied with the results of its commercial, financial and legal due diligence on the Company, the other Obligors and any other member of the Group in its sole discretion;
- (b) the Purchaser having performed all necessary external, internal and corporate approvals and checks under all applicable laws regarding the Transaction Documents, including but not limited to its investment committee approval, anti-money laundering checks and know-your-client checks;

- (c) all necessary regulatory filings, notifications, registrations, disclosure and/or announcement requirements, and approvals of the relevant governmental authorities to enter into the Transaction Documents and perform the Obligors' obligations thereunder having been made, fulfilled or obtained, and such filings, notifications, registrations, disclosures, announcements and approvals remaining valid and effective, and no governmental authority having taken or initiated any action which would prohibit the transactions contemplated under any of the Transaction Documents;
- (d) a written approval having been granted by the Stock Exchange regarding the listing of, and a permission to deal in, the Conversion Shares;
- (e) there not having been any further requirement imposed by the Stock Exchange for the Shareholders to approve the issue of the Conversion Shares and all conditions relating thereto (if any) imposed by the Stock Exchange shall have been settled to the satisfaction of the Purchaser;
- (f) all obligations under the Transaction Documents required to be performed by the Obligors on or before the Closing Date (including but not limited to the transfer of the Shares subject to Security to the CCBI Account) having been performed, and no breach of any provision of any Transaction Document by any of the Obligors;
- (g) the Warranties remaining true, accurate and not misleading in each case in accordance with their terms;
- (h) since the date of the Subscription Agreement, there having been, in the opinion of the Purchaser, no Material Adverse Change;
- (i) there having been no Event of Default, and no Event of Default resulting from the proposed issue of the Convertible Bonds by the Company to the Purchaser;
- (j) all financial covenants set out in each of the Series 1 CB Conditions or the Series 2 CB Conditions having been complied with as at Closing;

- (k) there being no suspension of trading of the Shares on the Stock Exchange from the date of the Subscription Agreement up to the Closing Date (save for as a result of the announcement(s) being made by the Company on the Stock Exchange in connection with the transactions contemplated under the Transaction Documents);
- (l) Mr. Chen remaining as the chairman of the Board and the single largest beneficial owner of the issued Shares and the Chargor remaining as the single largest Shareholder;
- (m) the Initial Collateral Coverage Ratio being not less than 2.0 as at the Closing Date;
- (n) the entering into and duly execution (on or before the Closing Date) of the other Transaction Documents, each in a form satisfactory to the Purchaser, by the respective parties; and
- (o) on the Closing Date, receipt by the Purchaser of:
  - (i) a legal opinion as to the laws of Hong Kong issued by the Purchaser's Hong Kong legal counsel and addressed to the Purchaser, opining on, amongst other things, the legal, valid, binding and enforceable nature of the provisions of the Transaction Documents as governed by the laws of Hong Kong;
  - (ii) a legal opinion as to the laws of the Cayman Islands issued by the Purchaser's Cayman legal counsel and addressed to the Purchaser, opining on, amongst other things, the due incorporation, capacity and authority of the Company; and
  - (iii) a legal opinion as to the laws of the British Virgin Islands issued by the Purchaser's British Virgin Islands legal counsel and addressed to the Purchaser, opining on, amongst other things, the due incorporation, capacity and authority of the Chargor,each in a form satisfactory to the Purchaser,

provided, however, that the Purchaser may, at its discretion, waive satisfaction of any of the Conditions above (except for Condition (d)).

If any of the Conditions is not satisfied or (as the case may be) waived by the Purchaser on or before 16 January 2017, the Subscription Agreement shall terminate and the parties shall be released and discharged from their respective obligations relating to the Convertible Bonds, as the case may be, to be issued and subscribed on that date and the parties shall be released and discharged from their respective obligations under the Subscription Agreement with respect to the issue and purchase of the Convertible Bonds, as the case may be, except that the Company shall remain liable for any antecedent breach prior to the termination and shall remain liable for indemnity and be responsible for the payment of all costs, fees and expenses which are already incurred or will be incurred in consequence of such termination and the respective obligations of the parties under general clauses in the Subscription Agreement, which would have continued had the arrangements for the purchase and issue of the Convertible Bonds been completed, shall continue.

### **Closing**

Closing shall take place on the third Business Day after, and excluding, the date upon which the last of the Conditions (save for the Conditions which are required to be satisfied on the Closing Date) has been satisfied or waived, or such other date as the Company and the Purchaser may agree in writing.

On the Closing Date, the Company shall issue to the Purchaser the Convertible Bonds and the Purchaser shall make payment for the aggregate principal amount of the Convertible Bonds.

### **Termination**

The Purchaser may terminate the Subscription Agreement by giving notice in writing to the Company at any time prior to Closing if there shall have come to the notice of the Purchaser any breach of, or any event rendering untrue or incorrect in any respect, any of the warranties and representations of the Obligors contained in the Subscription Agreement or any failure to perform any of the Obligors' undertakings or agreements in the Subscription Agreement.



## **Other covenants and undertakings**

In addition to the general pre-Closing and post-Closing undertakings given by the Company to the Purchaser, the Company undertakes that from the Closing Date and for as long as any Convertible Bonds remain outstanding, in the case that the Company or any other member of the Group seeks to engage a financial advisor or corporate finance advisor (or a similar role) for any corporate finance transaction being proposed, contemplated or envisaged to be entered into by any member of the Group, it shall engage CCB International Capital Limited (or any of its affiliates with the appropriate licences), on a preferential basis, as financial advisor or corporate finance advisor (or a similar role) to the relevant member of the Group for the relevant corporate finance transaction, provided that (i) the terms offered by CCB International Capital Limited (or any of its affiliates with the appropriate licences) are no less favourable than the others being considered for the engagement, and (ii) the fees and commissions to be charged by CCB International Capital Limited (or any of its affiliates with the appropriate licences) remain competitive and in line with prevailing market rate.

Each Obligor also 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.

**“Collateral Coverage Ratio”** means, for any Trading Day falling on or after the Closing Date, the amount equal to  $A \times B/C$ , where:

- A = the number of Shares being part of the Security after trading of the Shares closes on the Stock Exchange on such Trading Day;
- B = the Closing Price on such Trading Day; and
- C = the aggregate outstanding principal amount of the Convertible Bonds after trading of the Shares closes on the Stock Exchange on such Trading Day.

**“Internal Rate of Return”** means, in respect of any portion of the Convertible Bonds held by a Bondholder, the annual rate based on a 365-day period used to, at any relevant reference point in time, discount the cash flows in respect of such portion of the Convertible Bonds (such cash flow to include the subscription consideration and cash received by the Bondholder as a result of any redemption of such Convertible Bonds) to the Issue Date such that the present value of such aggregate cash flows equals zero. In particular, the Internal Rate of Return will be calculated:

- (a) with reference to the period from the Issue Date to the later of: (i) the relevant redemption date; and (ii) the date on which all such cash flows in respect of the Convertible Bonds are made in full;
- (b) taking into account the interest amounts on the principal amount of the Convertible Bonds and annual fees which have accrued and have been paid pursuant to the Bond Conditions;
- (c) without taking into account the Default Interest (as defined below in the section headed “Principal terms of the Convertible Bonds”) which shall have accrued and have been paid pursuant to the Bond Conditions; and
- (d) netting of any transaction costs and any applicable taxes.

### **Personal Guarantee**

Pursuant to the Subscription Agreement, Mr. Chen shall execute the Guarantee to guarantee the punctual performance and observance by the Obligors of their obligations under the Transaction Documents in favour of the Purchaser, on or prior to the Closing Date.

Pursuant to the Guarantee, Mr. Chen shall, among other things, undertake to the Purchaser that for so long as any Convertible Bonds remain outstanding, among others:

- (a) he will at all times remain as the sole shareholder of the entire issued share capital of the Chargor and the sole director of the Chargor;
- (b) he will ensure that the Chargor at all times remains as the Shareholder with the single largest direct shareholding in the Company; and
- (c) he will at all times remain as the chairman of the Board.

## Share Charge

Pursuant to the Subscription Agreement, on or prior to the Closing Date, the Company shall deliver to the Purchaser, among other things, the Share Charge over 474,040,000 Shares (“**Relevant Shares**”), representing approximately 47.40% of the issued share capital of the Company as at the date of this announcement, as security over the performance of the Obligors’ obligations under the Transaction Documents duly executed by the Chargor.

Pursuant to the Share Charge, the Chargor, as beneficial owner of the Relevant Shares and the additional Shares as may be transferred to the CCBI Account by the Chargor as a result of the granting of the Additional Security (collectively as “**Charged Shares**”), shall charge to the Purchaser, by way of first fixed charge all of the rights which it now has and all of the rights which it obtains at any time in the future in (a) the Charged Shares; (b) the CCBI Account; and (c) any rights accruing to, derived from or otherwise connected with the Charged Shares (including dividends and proceeds of disposal).

The Purchaser as the chargee may enforce the security under the Share Charge at any time which any amount owing under a Transaction Document is payable but has not been paid, or an Event of Default has occurred, or if the Chargor requests it to do so.

For so long as any Convertible Bonds shall remain outstanding, if the Collateral Coverage Ratio exceeds 4.0 for any period over thirty (30) consecutive Trading Days, the Purchaser shall, within ten (10) Business Days of a written request by the Chargor specifying the number of the Charged Shares to be released (as confirmed by the Purchaser) and at the cost and expense of the Chargor or the Company, release and withdraw such Charged Shares from the CCBI Account and return the same to the Chargor as the Chargor may direct, until the Collateral Coverage Ratio falls to (but not below) 3.0.

In connection with the Share Charge, on or prior to the Closing Date, the Chargor, the Purchaser and CCB International Securities Limited as the safekeeping agent shall also enter into the Custodian Supplemental Deed to govern the operation of the CCBI Account.

## PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

The principal terms of the Convertible Bonds are arrived at after arm's length negotiations between the Company and the Purchaser. The principal terms of the Convertible Bonds are summarised as follows:

- Issuer** : The Company
- Principal amount** : An aggregate of HK\$120,000,000 of Convertible Bonds to be issued, comprising:
- (a) HK\$72,000,000 principal amount of the Series 1 CB; and
  - (b) HK\$48,000,000 principal amount of the Series 2 CB
- Issue price** : 100% of the principal amount of the Convertible Bonds, payable in cash
- Interest** : 4% per annum, payable semi-annually in arrears
- Annual fees** : 1% of the aggregate principal amount of the outstanding Convertible Bonds, payable on each of the Issue Date and each anniversary thereof (the annual fees for the first year which are payable on the Issue Date shall be deducted from the issue price of the Convertible Bonds payable by the Purchaser)
- Default Interest** : If an Event of Default has occurred, a Bondholder shall have the right by notice to the Company to require the Company to, in addition to and without prejudice to any of its other payment obligations under the Bond Conditions, pay an additional default interest ("**Default Interest**") to such Bondholder in a cash amount to be determined as follows:
- (a) in the case of "non-payment" as an Event of Default, the Default Interest shall accrue at a rate of 1.5% per month calculated on a simple basis on the aggregate unpaid principal, interest and/or other amounts owed by the Company or any other Obligor to such Bondholder from the relevant due date of such unpaid amounts, payable monthly, until the date on which such unpaid amounts are settled in full by the Company or any other Obligor; or

- (b) in the case of any other Event of Default, the Default Interest shall accrue at a rate of 1.5% per month calculated on a simple basis on the total outstanding principal amount of the Convertible Bonds from the date on which such Event of Default occurs, payable monthly, until the date on which such Event of Default has been fully remedied (in the opinion of the Bondholder).

**Maturity Date** : The date falling on the Original Maturity Date or the Extended Maturity Date.

The Company may seek the Bondholders' prior written approval to extend the Original Maturity Date to no later than the Extended Maturity Date by delivering a written notice to the Bondholders no later than twenty (20) Business Days prior to the Original Maturity Date. At each Bondholder's sole and absolute discretion, the Original Maturity Date in respect of all or a portion of the Convertible Bonds held by such Bondholder can be extended to the Extended Maturity Date if it agrees so by giving a written notice to the Company not less than ten (10) Business Days prior to the Original Maturity Date.

**Conversion Rights** : Subject to the Bond Conditions, the Bondholders shall be entitled to the right to convert the Convertible Bonds in whole amounts or multiples of units of principal amount of the Convertible Bonds of HK\$1,000,000 into Shares credited as fully paid at any time during the Conversion Period, save that if at any time, the outstanding principal amount of the Convertible Bonds is less than HK\$1,000,000, the whole (but not part only) of the outstanding principal amount of the Convertible Bonds may be converted.

Fractions of Shares will not be issued on exercise of a Conversion Right but cash adjustment will be made and paid in lieu in respect thereof.

**Conversion Period** : The period beginning on, and including, the Issue Date and ending on, and including, the day which is one (1) Business Day before the Maturity Date, save under the situation as mentioned in the sub-section headed “Revival and/or survival after default” below.

Subject to the Bond Conditions, a Conversion Right may not be exercised in respect of the Convertible Bonds where the Bondholder shall have given notice to require the Company to redeem such Convertible Bonds pursuant to the Bond Conditions following the occurrence of an Event of Default, save under the situation as mentioned in the sub-section headed “Revival and/or survival after default” below.

**Revival and/or survival after default** : If (i) the Company shall default in making payment in full in respect of any Convertible Bonds which shall have been required to be redeemed pursuant to the Bond Conditions or (ii) any Convertible Bonds are not redeemed on the Maturity Date in accordance with the Bond Conditions, the Conversion Right attaching to such Convertible Bonds will revive and/or will continue to be exercisable up to, and including, the close of business on the date upon which the full amount payable in respect of such Convertible Bonds has been duly received by the Bondholder thereof.

**Initial Conversion Price** : HK\$0.6 per Series 1 CB Conversion Share

HK\$1.2 per Series 2 CB Conversion Share

The initial Conversion Prices were determined after arm’s length negotiations between the Company and the Purchaser and with reference to the prevailing market price of the Shares. The Directors consider the Conversion Price is fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

The initial Series 1 CB Conversion Price represents:

- (a) a premium over approximately 17.65% to the Closing Price of HK\$0.51 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (b) a premium over approximately 15.83% to the average Closing Price of HK\$0.518 per Share as quoted on the Stock Exchange for the last five (5) consecutive Trading Days preceding the Last Trading Day.

The initial Series 2 CB Conversion Price represents:

- (a) a premium over approximately 135.29% to the Closing Price of HK\$0.51 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (b) a premium over approximately 131.66% to the average Closing Price of HK\$0.518 per Share as quoted on the Stock Exchange for the last five (5) consecutive Trading Days preceding the Last Trading Day.

## **Adjustment Events**

The initial Conversion Price is subject to adjustments from time to time on the occurrence of certain events (“**Adjustment Events**”) in accordance with the provisions of the Bond Conditions, including:

- (a) *Consolidation, subdivision or reclassification of Shares*: an alteration to the par value of the Shares as a result of consolidation, subdivision or reclassification;



- (b) *Capitalisation of profits or reserves*: (i) issue by the Company of any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves including, Shares paid up out of distributable profits or reserves and/or share premium account (except any scrip dividend) and which would not have constituted a distribution (as mentioned in (c) below); or (ii) an issue of Shares by way of a scrip dividend where the current market price on the date of announcement of the terms of such issue of Shares multiplied by the number of Shares issued exceeds the amount of the relevant cash dividend or the relevant part thereof and which would not have constituted a distribution (as mentioned in (c) below);
- (c) *Distributions*: the Company paying or making any distribution to the Shareholders (except to the extent that the Conversion Price falls to be adjusted under (b) above);
- (d) *Rights issues of Shares or options over Shares*: issue by the Company of Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares, in each case at less than 95% of the current market price per Share on the date of the announcement of the terms of the issue or grant;

- (e) *Rights issues of other securities*: issue by the Company of any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares) to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares);
  
- (f) *Issues at less than the current market price of the Shares*: issue by the Company (otherwise than as mentioned in (d) above) wholly for cash or for no consideration any Shares (other than Shares issued on the exercise of the Conversion Right or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or issue or grant (otherwise than as mentioned in (d) above) wholly for cash or for no consideration options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares in each case at a price per Share which is less than 95% of the current market price on the date of announcement of the terms of such issue;

- (g) *Other issues at less than the current market price of the Shares:* save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within this (g), issue by the Company or any of its subsidiaries (otherwise than as mentioned in (d), (e) or (f) above), or (at the direction or request of or pursuant to any arrangements with the Company or any of its subsidiaries) any other company, person or entity wholly for cash or for no consideration any securities (other than the Convertible Bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than 95% of the current market price on the date of announcement of the terms of issue of such securities;
- (h) *Modification of rights of conversion etc.:* any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in (g) above (other than in accordance with the terms of such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) has been reduced and is less than the current market price on the date of announcement of the proposals for such modification;
- (i) *Other offers to Shareholders:* the Company or any of its subsidiaries or (at the direction or request of or pursuant to any arrangements with the Company or any of its subsidiaries) any other company, person or entity issues, sells or distributes any securities in connection with an offer pursuant to which the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under (d), (e), (f) or (g) above); and

- (j) *Other events*: the Company determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to above, and the Company shall, at its own expense, consult an independent investment bank to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Conversion Price, and the date on which such adjustment should take effect and upon such determination by the independent investment bank such adjustment (if any) shall be made and shall take effect in accordance with such determination.

**Retroactive Adjustments** : If the conversion date in relation to the conversion of any Convertible Bonds shall be after the record date for any issue, distribution, grant, offer or other event as gives rise to the adjustment of the Conversion Price pursuant to the Adjustment Events, but before the relevant adjustment becomes effective (“**Relevant Effective Date**”) under the relevant Bond Condition (“**Retroactive Adjustment**”), upon the relevant adjustment becoming effective the Company shall procure the issue to the converting Bondholder (or in accordance with the instructions contained in the conversion notice (subject to applicable exchange control or other laws or other regulations)), such additional number of Shares (“**Adjustment Shares**”) as is, together with Shares to be issued on conversion of the Convertible Bonds, equal to the number of Shares which would have been required to be issued on conversion of such Convertible Bonds if the relevant adjustment to the Conversion Price had been made and become effective on or immediately after the relevant record date and in such event and in respect of such Adjustment Shares, the conversion date shall be deemed to be the Relevant Effective Date (notwithstanding that the Relevant Effective Date falls after the end of the Conversion Period).

If the record date for the payment of any dividend or other distribution in respect of the Shares is on or after the conversion date in respect of any Convertible Bonds, but before the registration date (disregarding any Retroactive Adjustment of the Conversion Price prior to the time such Retroactive Adjustment shall have become effective), the Company will calculate and pay to the converting Bondholder or its designee an amount equal to the fair market value of such dividend or other distribution to which such converting Bondholder would have been entitled had it on that record date been such a Shareholder of record and will make the payment to the Bondholder at the same time as the Company makes payment of the dividend or other distribution.

- Conversion Shares** : Assuming the exercise in full of the Conversion Rights at the initial Series 1 CB Conversion Price of HK\$0.6 per Series 1 CB Conversion Share and the initial Series 2 CB Conversion Price of HK\$1.2 per Series 2 CB Conversion Share, an aggregate of 160,000,000 Conversion Shares will be issued, which represents:
- (a) 16.00% of the total issued share capital of the Company as at the date of this announcement; and
  - (b) approximately 13.79% of the entire issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares (assuming there is no other change in the issued share capital of the Company from the date of this announcement and until the full conversion of the Convertible Bonds at the initial Conversion Price).

Based on the initial Series 1 CB Conversion Price of HK\$0.6 per Series 1 CB Conversion Share and the initial Series 2 CB Conversion Price of HK\$1.2 per Series 2 CB Conversion Share, the maximum aggregate nominal value of the Conversion Shares is HK\$160,000. Assuming the Convertible Rights are exercised in full at the initial Series 1 CB Conversion Price and the initial Series 2 CB Conversion Price, the net subscription price for each Conversion Share under the Series 1 CB and the Series 2 CB is approximately HK\$0.57 and HK\$1.13 respectively.

Pursuant to the terms of the Convertible Bonds, in the event that the number of Conversion Shares to be issued upon the exercise of the Conversion Rights based on the Conversion Price as adjusted in accordance with the Bond Conditions (i.e. as a result of the Adjustment Events) exceeds the number of Shares that are issuable under the General Mandate (i.e. 200,000,000 Shares) (the exceeded number of Conversion Shares shall be referred to as “**Exceeded Conversion Shares**”), any rights attached to the principal amount of the Convertible Bonds 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 (5) Business Days after the conversion date shall constitute an Event of Default.

**Ranking of the Convertible Bonds** : The Convertible Bonds shall constitute direct, senior, unsubordinated, unconditional and secured obligations of the Company and shall at all times rank *pari passu* and without any preference or priority among themselves.

**Ranking of the Conversion Shares** : The Conversion Shares allotted and issued on conversion will be fully paid and will rank *pari passu* in all respects with, and within the same class as, the Shares then in issue on the date of allotment and issue of the Conversion Shares.

**Redemption at maturity** : The Company will redeem the Convertible Bonds on the Maturity Date at an amount equal to the aggregate of:

- (a) the aggregate principal amount of the outstanding Convertible Bonds held by the Bondholders;
- (b) any accrued but unpaid interest (including any Default Interest) and annual fees on such outstanding Convertible Bonds; and
- (c) an amount that would yield an Internal Rate of Return of 10% on the aggregate principal amount of the Convertible Bonds held by the Bondholders from the Issue Date until the date on which the entire outstanding amount of such redemption price has been fully paid by the Company to the Bondholders.

The Convertible Bonds will be cancelled forthwith upon redemption and may not be reissued or resold.

**Redemption by the Company** : For so long as the Convertible Bonds shall remain outstanding, the Company may redeem the Convertible Bonds in full, but not in part, at any time after the first anniversary of the Issue Date and at an amount (“**Optional Redemption Amount**”) equal to the aggregate of:

- (a) the aggregate principal amount of all the outstanding Convertible Bonds;
- (b) any accrued but unpaid interest (including any Default Interest) and annual fees on such outstanding Convertible Bonds; and

- (c) an amount that would yield an Internal Rate of Return of 12% on the aggregate principal amount of such outstanding Convertible Bonds from the Issue Date until the date on which the entire outstanding amount of such redemption price has been fully paid by the Company,

by giving to the Bondholders a redemption notice setting out in writing the principal amount of the outstanding Convertible Bonds for redemption, the Optional Redemption Amount and the redemption date not less than thirty (30) Business Days prior to the redemption date, provided a Bondholder shall be entitled to exercise the Conversion Right attached to the Convertible Bonds subject to and upon compliance with the Bond Conditions so long as the relevant conversion notice is delivered by the Bondholder prior to the date of redemption to the Company.

**Redemption on Event of  
Default :**

If the Bondholder elects to require the Company to redeem the Convertible Bonds following the occurrence of an Event of Default, the Company will redeem all the outstanding Convertible Bonds held by the Bondholder at an amount (“**Default Redemption Amount**”) equal to the aggregate of:

- (a) the aggregate principal amount of the outstanding Convertible Bonds held by such Bondholder;
- (b) any accrued but unpaid interest (including any Default Interest) and annual fees on the Convertible Bonds;



- (c) an amount that would yield a return of 18% per annum calculated on a simple basis on the aggregate principal amount of the Convertible Bonds held by such Bondholder from the Issue Date until the date on which the entire outstanding amount of such redemption price has been fully paid by the Company to such Bondholder, provided that such calculation shall take into account the interest amounts and annual fees which have accrued and have been paid pursuant to the Bond Conditions but shall not take into account any Default Interest; and
- (d) any costs and expenses reasonably and properly incurred in relation to such redemption,

within ten (10) Business Days of the Bondholder giving a redemption notice in the agreed form to the Company.

**Events of Default** : Major “**Events of Default**” includes:

- (a) *Non-payment*: the Company or, as the case may be, any other Obligor fails to pay any amount of principal in respect of the Convertible Bonds or, as the case may be, any Security Document or any other Transaction Document on the due date for payment thereof or fails to pay any amount of interest, annual fees or any other amount in respect of or in connection with the Convertible Bonds or, as the case may be, any Security Document or any other Transaction Document on the due date for payment thereof;

- (b) *Change of control*: (i) any person or persons, acting together, acquires control of the Company; (ii) Mr. Chen ceases to be the single largest beneficial owner of the issued Shares; (iii) Mr. Chen ceases to be the chairman of the Board; (iv) the Chargor ceases to be the single largest Shareholder; or (v) unless with the Bondholders' Approval, the Company consolidates with or merges into or sells or transfers all or a substantial part exceeding 30% of the Company's total assets or 50% of the Company's net assets, whichever is higher, to any other person, unless the consolidation, merger, sale or transfer will not result in the other person or persons acquiring control over the Company or the successor entity;
- (c) *Disposal of business or assets*: unless with the Bondholders' Approval, any disposal, sale, assignment or transfer by the Group of all or a substantial part exceeding 30% of the Company's total assets or 50% of the Company's net assets, whichever is higher;
- (d) *Breach of Financial Covenants (as defined below)*: any Financial Covenant is not satisfied;
- (e) *Breach of terms or obligations*: any Obligor defaults in the performance or observance of any term of any Transaction Document which is binding on it, or of its other obligations under or in respect of the Convertible Bonds or any Transaction Document, including but not limited to any obligations of the Chargor or Mr. Chen in relation to the grant of Additional Security in the event of a Security Top-Up Triggering Event;

- (f) *Cross-default of any of the Obligor*: (i) an Event of Default under the Series 1 CB Conditions or the Series 2 CB Conditions, as the case may be; (ii) any indebtedness of the Company or any other Obligor is not paid when due or (as the case may be) within any originally applicable grace period; (iii) indebtedness becoming (or becoming capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the relevant Obligor; or (iv) failure to pay when due any amount payable by it under any guarantee of any indebtedness by the Company or any other Obligor;
  
- (g) *Litigation*: any litigation, arbitration, administrative, governmental, regulatory or other investigations, proceedings or disputes are commenced or threatened against the Company or any other Obligor or all or a substantial part exceeding 30% of any of their respective total assets or 50% of their respective net assets, whichever is higher, (or against the Directors or directors of any other Obligor arising from their carrying out of duties as Directors or directors of any other Obligor) which are reasonably likely to be adversely determined and, if so determined, could reasonably be expected to have a material adverse effect;
  
- (h) *Security*: (i) at any time, any of the Security is or becomes unlawful or is not, or ceases to be legal, valid, binding or enforceable or otherwise ceases to be effective; or (ii) at any time, the Bondholder(s) ceases to have a first priority security interest in the Security;

- (i) *Delisting*: any Shares shall cease to be listed on the Stock Exchange or steps are taken by or on behalf of the Company to effect such cessation;
- (j) *Suspension of trading*: trading in the Shares on the Stock Exchange has been suspended for (i) three (3) consecutive Trading Days, or (ii) an aggregate of five (5) Trading Days on multiple occasions; and
- (k) *Delay in publishing annual report or qualified audit report*: the Company fails to publish its annual report as required under the Listing Rules within five (5) Business Days from the date being the last day for the Company to issue its annual report or fails to obtain an unqualified audit report.

If an Event of Default has occurred, a Bondholder shall have the right by notice to the Company to:

- (a) require the Company to, in addition to and without prejudice to any of its other payment obligations under the Bond Conditions, pay the Default Interest to such Bondholder;
- (b) require the Company to redeem all or a portion of its Convertible Bonds at the Default Redemption Amount;
- (c) enforce the Security and/or take such proceedings as it may think fit against Mr. Chen to enforce the provisions of the Guarantee; or
- (d) transfer any or all of the Convertible Bonds held by such Bondholder to any person without prior consent of any Obligor.

**Transferability** : Subject to and upon compliance with the Bond Conditions, a Bondholder shall be entitled to transfer any or all of its Convertible Bonds:

- (a) to any of the affiliates of CCB International (Holdings) Limited without any prior consent of any Obligor, provided that if the relevant affiliate shall at any time thereafter cease to be an affiliate of CCB International (Holdings) Limited, the relevant affiliate shall forthwith notify the Company and shall procure that all the Convertible Bonds held by such affiliate be re-transferred to the Purchaser or to another affiliate of CCB International (Holdings) Limited on or before the date when the relevant affiliate ceases to be an affiliate of CCB International (Holdings) Limited;
- (b) in the case that there has been no Event of Default, to any person (other than the affiliates of CCB International (Holdings) Limited) with the prior consent in writing of the Company; and
- (c) after the occurrence of an Event of Default, to any person without any prior consent of any Obligor,

provided that no Bondholder may require the transfer of any Convertible Bonds to be registered:

- (a) during the period of seven (7) Business Days ending on (and including) the Maturity Date;
- (b) after a notice of redemption has been delivered by the Company with respect to such Convertible Bonds;
- (c) after a notice of redemption following a Security Top-Up Triggering Event has been delivered by the Company with respect to such Convertible Bonds; or

- (d) after a notice of redemption following the occurrence of an Event of Default has been delivered by the Bondholder with respect to such Convertible Bonds.

**Security** : In addition to the Guarantee, the payment obligations and the performance of all of the obligations of the Company under the Convertible Bonds are secured by the Security granted by the Chargor from time to time against the obligations at any time due, owing or incurred by the Company to the Purchaser under the Subscription Agreement and the CB Instruments.

Please refer to the paragraph headed “Share Charge” under the section headed “The Subscription Agreement” above for further details.

**Financial Covenants** : For so long as any Convertible Bond remains outstanding, in addition to other general covenants given by the Company to the Bondholders, the Company shall ensure the following financial covenants (“**Financial Covenants**”) are complied with:

- (a) the Net Assets of the Group shall not at any time be less than RMB750,000,000 (or its equivalent in any other currency or currencies);
- (b) the Group shall continue to record consolidated net profit for each Relevant Period;
- (c) the ratio of Total Liabilities to Total Assets of the Group shall not at any time be more than 40%; and
- (d) the Group shall obtain an “unqualified” audit report on its consolidated financial statements for each applicable Relevant Period.

“**Net Assets**” means the consolidated net assets of the Group as at the end of the Relevant Period (as extracted from the audited consolidated financial statements of the Company for each financial year or the unaudited consolidated financial statements of the Company for each financial half-year, as the case may be (“**Relevant Accounts**”)).

“**Relevant Period**” means each period of twelve months ending on the last day of the Company’s financial year and each period of six months ending on the last day of the first half of the Company’s financial year.

“**Total Assets**” means the consolidated total current and non-current assets of the Group as at the end of the Relevant Period (as extracted from the Relevant Accounts).

“**Total Liabilities**” means the consolidated total current and non-current liabilities of the Group as at the end of the Relevant Period (as extracted from the Relevant Accounts).

**Listing** : No listing of the Convertible Bonds will be sought on the Stock Exchange or any other stock exchanges. The Company shall apply to the Stock Exchange for the granting of the listing of, and permission to deal in, the Conversion Shares to be issued upon the exercise of the Conversion Rights.

## **REASONS FOR AND BENEFITS OF THE ISSUE OF CONVERTIBLE BONDS AND USE OF PROCEEDS**

The Group focuses on the pharmaceutical distribution, self-operated retail pharmacies and pharmaceutical manufacturing businesses in the PRC.

The Purchaser is a limited liability company incorporated in the British Virgin Islands and is a special purpose vehicle of CCB International (Holdings) Limited.

The gross proceeds and net proceeds from the issue of the Convertible Bonds will be HK\$120 million and approximately HK\$113.1 million, respectively. It is expected that net proceeds will be applied to general working capital, business development and any future merger and acquisition transactions of the Group.

The Directors consider that the issue of the Convertible Bonds is an appropriate means of raising additional capital for the Company since (i) they will not have an immediate dilution effect on the shareholding of existing Shareholders; and (ii) if the Conversion Rights are exercised, the shareholder base of the Company will be enlarged by bringing in new investor(s) and it is expected that the financial position of the Group will be improved to provide for the existing and future business of the Group. The Directors (including the independent non-executive Directors) consider that the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **GENERAL MANDATE TO ISSUE THE CONVERSION SHARES**

The Conversion Shares will be allotted and issued pursuant to the General Mandate granted to the Directors at the AGM held on 1 June 2016. Under the General Mandate, the Company is authorised to issue up to 200,000,000 new Shares until the revocation, variation or expiration of the General Mandate. The Company has not exercised the power to allot and issue any new Shares pursuant to the General Mandate prior to the entering into of the Subscription Agreement.

Based on the initial Series 1 CB Conversion Price of HK\$0.6 per Series 1 CB Conversion Share and initial Series 2 CB Conversion Price of HK\$1.2 per Series 2 CB Conversion Share, up to an aggregate of 160,000,000 new Shares will be allotted and issued under the General Mandate upon the full conversion of the Convertible Bonds.

Pursuant to the terms of the Convertible Bonds, in the event that the number of Conversion Shares to be issued upon the exercise of the Conversion Rights based on the Conversion Price as adjusted in accordance with the Bond Conditions (i.e. as a result of the Adjustment Events) exceeds the number of Shares that are issuable under the General Mandate (i.e. 200,000,000 Shares), any rights attached to the principal amount of the Convertible Bonds attributable to the Exceeded Conversion Shares (i.e. 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 (5) Business Days after the conversion date shall constitute an Event of Default. The allotment and issue of the Conversion Shares is not subject to any additional Shareholders' approval.



## EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company had not raised any other funds by equity issue in the past 12 months immediately preceding the date of this announcement.

### 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; 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 respective initial Conversion Prices (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 the initial Conversion Price) are set out below:

	(i)		(ii)		(iii)	
	As at the date of this announcement		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		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 respective initial Conversion Prices	
	<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> )	474,040,000	47.40	474,040,000	42.33	474,040,000	40.87
Advance Apex Limited ( <i>Note 2</i> )	100,514,000	10.05	100,514,000	8.97	100,514,000	8.67
Jumbo Success Holdings Limited ( <i>Note 3</i> )	4,400,000	0.44	4,400,000	0.39	4,400,000	0.38
Mr. Shen Shun ( <i>Note 4</i> )	2,500,000	0.25	2,500,000	0.22	2,500,000	0.22
Mr. Zhou Jian ( <i>Note 5</i> )	2,000,000	0.20	2,000,000	0.18	2,000,000	0.17
Mr. Zhang Xiongfeng ( <i>Note 6</i> )	14,000,000	1.40	14,000,000	1.25	14,000,000	1.21
<b>Sub-total:</b>	597,454,000	59.75	597,454,000	53.34	597,454,000	51.50
The Purchaser	–	–	120,000,000	10.71	160,000,000	13.79
Other public Shareholders	402,546,000	40.25	402,546,000	35.94	402,546,000	34.70
<b>Total:</b>	<u>1,000,000,000</u>	<u>100.00</u>	<u>1,120,000,000</u>	<u>100.00</u>	<u>1,160,000,000</u>	<u>100.00</u>

*Notes:*

1. The Chargor is wholly-owned by Mr. Chen.
2. Advance Apex Limited is a company owned as to 47% by Mr. Li Ho Tan, a non-executive Director and as to 50% by Mr. Cheung Chi Mang.
3. Jumbo Success Holdings Limited is a company wholly-owned by Mr. Li Ho Tan, a non-executive Director.
4. Mr. Shen Shun is an executive Director.
5. Mr. Zhou Jian is an executive Director.
6. Mr. Zhang Xiongfeng is a non-executive Director.

## **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, (i) Mr. Chen is the chairman, an executive Director and a controlling shareholder of the Company; and (ii) the Chargor is a company wholly-owned by Mr. Chen, and each of Mr. Chen and the Chargor is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Guarantee and the Share Charge constitute provision of financial assistance by Mr. Chen and the Chargor to the Company, and constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As the Guarantee and the Share Charge are provided for the benefit of the Company on normal commercial terms or better and no security over the assets of the Group is granted in respect of the Guarantee and the Share Charge, pursuant to Rule 14A.90 of the Listing Rules, each of the Guarantee and the Share Charge is exempt from the notification, announcement and independent Shareholders' approval requirements under the Listing Rules.

The charge of Shares by the Chargor requires disclosure pursuant to Rule 13.17 of the Listing Rules. Please refer to the paragraphs headed "Other covenants and undertakings" and "Share Charge" under the section headed "The Subscription Agreement" above for further details.

The Subscription Agreement and the Bond Conditions also contain certain specific performance obligations on Mr. Chen and the Chargor, which require disclosure pursuant to Rule 13.18 of the Listing Rules. Please refer to the paragraphs headed "Personal Guarantee" and "Share Charge" under the section headed "The Subscription Agreement" above for further details.

**Closing of the Subscription Agreement is subject to fulfillment and/or waiver of the Conditions. Accordingly, the Convertible Bonds may or may not be issued and/or the Conversion Shares may or may not be issued or listed, in full or at all. Shareholders and potential 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 meanings as set out below:

“AGM”	the annual general meeting of the Company held on 1 June 2016 at which, among other things, the General Mandate was granted to the Directors
“Board”	the board of Directors
“Bondholder(s)”	holder(s) of the Convertible Bonds, initially being the Purchaser
“Bondholders’ Approval”	the written approval of Bondholder(s) holding more than 50% of the then outstanding principal amount of the Convertible Bonds
“Bond Conditions”	the Series 1 CB Conditions and the Series 2 CB Conditions, or any of them, as the case may be
“Business Day”	means a day on which commercial banks and foreign exchange markets settle payments in Hong Kong, excluding any day in Hong Kong on which a typhoon signal number 8 or above or a “black” rainstorm warning is hoisted
“CB Instrument(s)”	the Series 1 CB Instrument and the Series 2 CB Instrument, or either of them, as the case may be

“CCBI Account”	the securities account of the Chargor to be established with CCB International Securities Limited (including any renewal or re-designation thereof)
“Chargor”	Praise Treasure Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Mr. Chen
“Closing”	closing of the purchase and issue of the Convertible Bonds pursuant to the terms of the Subscription Agreement
“Closing Date”	the date on which Closing takes place, being the third Business Day after, and excluding, the date upon which the last of the Conditions (save for the Conditions which are required to be satisfied on the Closing Date) has been satisfied or waived, or such other date as the Company and the Purchaser may agree in writing
“Closing Price”	for the Shares for any Trading Day, the last traded price per Share as published in the daily quotation sheet of the Stock Exchange for such day
“Company”	Pa Shun Pharmaceutical International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Condition(s)”	the condition(s) set out in the paragraph headed “Conditions precedent” under the section headed “The Subscription Agreement” in this announcement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules

“Conversion Period”	has the meaning as set out in the sub-section headed “Principal terms of the Convertible Bonds – Conversion Period” in this announcement
“Conversion Price”	the Series 1 CB Conversion Price or the Series 2 CB Conversion Price, as the case may be
“Conversion Right(s)”	the right(s) of the Bondholder(s) to convert the whole or part of the outstanding principal amount of the Convertible Bonds into Conversion Shares, subject to the terms of the Convertible Bonds
“Conversion Share(s)”	the Series 1 CB Conversion Share(s) and the Series 2 CB Conversion Share(s), or any of them, as the case may be
“Convertible Bond(s)”	the Series 1 CB and the Series 2 CB, or either of them, as the case may be
“Custodian Supplemental Deed”	the custodian supplemental deed to be entered into between CCB International Securities Limited as the safekeeping agent, the Purchaser and the Chargor in connection with the CCBI Account
“Directors”	the directors of the Company
“Event(s) of Default”	the event(s) of default as set out in the Bond Conditions, which include the events set out in the sub-section headed “Principle terms of the Convertible Bonds – Events of Default” in this announcement
“Extended Maturity Date”	the third anniversary of the Issue Date of the Convertible Bonds

“General Mandate”	means the general mandate granted to the Directors by the Shareholders at the AGM in the terms of the ordinary resolution set out in the notice of the AGM dated 29 April 2016
“Group”	the Company and its subsidiaries
“Guarantee”	the deed of guarantee to be executed by Mr. Chen in favour of the Purchaser in respect of all sums due and payable to the Purchaser by the Obligors under the Subscription Agreement and other Transaction Documents
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and the connected persons of the Company
“Initial Collateral Coverage Ratio”	means for the Closing Date, the amount equal to $A \times B/C$ , where:  A = the number of Shares subject to Security at Closing;  B = the lower of (i) the average Volume Weighted Average Price for the ten (10) Trading Days immediately preceding the Closing Date, or (ii) the Closing Price for the Trading Days immediately preceding the Closing Date; and  C = the aggregate principal amount of the Convertible Bonds to be issued at Closing
“Issue Date”	the day on which the Convertible Bonds are first issued pursuant to the Subscription Agreement

“Last Trading Day”	15 December 2016, being the date of the Subscription Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Material Adverse Change”	(a) any material adverse change in, or any change in circumstances that has a material adverse effect on, the business, operations, financial position (including any material increase in provisions), earnings, condition or prospects of each Obligor or each member of the Group; and (b) any change in any relevant laws in any of the jurisdictions or sectors in which each Obligor or each member of the Group does business (coming into effect between the date of the Subscription Agreement and the Closing Date) that could reasonably be expected to materially and adversely affect the Company or the Group taken as a whole
“Maturity Date”	the Original Maturity Date or the Extended Maturity Date, as the case may be
“Mr. Chen”	Mr. Chen Yenfei, the chairman, an executive Director and a controlling shareholder of the Company
“Obligor(s)”	the Company, Mr. Chen and the Chargor, and “Obligor” shall mean any of them
“Original Maturity Date”	the second anniversary of the Issue Date of the Convertible Bonds
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan

“Purchaser”	Chance Talent Management Limited, a business company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned special purpose vehicle of CCB International (Holdings) Limited
“RMB”	Renminbi, the lawful currency of the PRC
“Security”	collectively, all the security interests granted in favour of the Purchaser against the secured obligations pursuant to the Security Documents from time to time
“Security Documents”	collectively: (a) the Share Charge; (b) any document relating to any Additional Security (as defined under the paragraph headed “Other covenants and undertakings” under the section headed “The Subscription Agreement” above) (if any); and (c) any other document constituting the security granted in favour of the Purchaser from time to time under or in connection with the Transaction Documents or the Convertible Bonds
“Series 1 CB”	the 4% secured guaranteed convertible bonds in the principal amount of HK\$72,000,000 to be issued by the Company to the Purchaser pursuant to the Subscription Agreement and constituted by the Series 1 CB Instrument, or as the context may require, any portion of it
“Series 1 CB Conditions”	the terms and conditions of the Series 1 CB attached to the Series 1 CB Instrument in respect of the Series 1 CB
“Series 1 CB Conversion Price”	HK\$0.6 per Series 1 CB Conversion Share, subject to adjustment from time to time under the terms and conditions of the Series 1 CB
“Series 1 CB Conversion Share(s)”	the Share(s) to be allotted and issued by the Company upon exercise of the Conversion Rights attached to the Series 1 CB



“Series 1 CB Instrument”	the deed to be executed by the Company which will constitute the Series 1 CB and contain the terms and conditions of the Series 1 CB
“Series 2 CB”	the 4% secured guaranteed convertible bonds in the principal amount of HK\$48,000,000 to be issued by the Company to the Purchaser pursuant to the Subscription Agreement and constituted by the Series 2 CB Instrument, or as the context may require, any portion of it
“Series 2 CB Conditions”	the terms and conditions of the Series 2 CB attached to the Series 2 CB Instrument in respect of the Series 2 CB
“Series 2 CB Conversion Price”	HK\$1.2 per Series 2 CB Conversion Share, subject to adjustment from time to time under the terms and conditions of the Series 2 CB
“Series 2 CB Conversion Share(s)”	the Share(s) to be allotted and issued by the Company upon exercise of the Conversion Rights attached to the Series 2 CB
“Series 2 CB Instrument”	the deed to be executed by the Company which will constitute the Series 2 CB and contain the terms and conditions of the Series 2 CB
“Share(s)”	the ordinary share(s) of par value HK\$0.001 each in the share capital of the Company, and where applicable, the term shall also include shares of any class or classes of the Company resulting from any subdivision, consolidation or re-classification of those shares
“Share Charge”	the charge to be granted by the Chargor in favour of the Purchaser over its 474,040,000 Shares
“Shareholder(s)”	holder(s) of the Shares

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement dated 15 December 2016 and entered into between the Company, the Chargor, Mr. Chen and the Purchaser in relation to the issue of the Convertible Bonds
“Trading Day”	a day when the Stock Exchange is open for dealing business, provided that if no Closing Price is reported for one or more consecutive dealing days, such day or days will be disregarded in any relevant calculation and shall be deemed not to have existed when ascertaining any period of dealing days
“Transaction Documents”	collectively, (a) the Subscription Agreement, (b) the CB Instruments, (c) the certificate(s) in respect of the Convertible Bonds to be issued to the Purchaser pursuant to the terms of the applicable CB Instrument, (d) the Guarantee, (e) the Security Documents, (f) the Custodian Supplemental Deed, and (g) any other document designated as a “Transaction Document” by the Purchaser and the Obligors
“Volume Weighted Average Price”	means, in respect of a Share on any Trading Day, the order book volume-weighted average price of a Share published by or derived from Bloomberg page “VWAP” (setting weighted average) or such other source as shall be determined to be appropriate by an independent investment bank on such Trading Day, provided that if on any such Trading Day such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of a Share in respect of such Trading Day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding Trading Day on which the same can be so determined

“Warranties” the representations, warranties and covenants given or procured to be given by the Obligors under the Subscription Agreement

“%” per cent.

By Order of the Board  
**Pa Shun Pharmaceutical International Holdings Limited**  
**Mr. Chen Yenfei**  
*Chairman*

Hong Kong, 15 December 2016

*As at the date of this announcement, the executive Directors are Mr. Chen Yenfei, Mr. Shen Shun, Mr. Zhou Jian; the non-executive Directors are Mr. Li Ho Tan, 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.*