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**百信集团**  
PASHUN GROUP

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

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 574)**

**DISCLOSEABLE TRANSACTION:  
ACQUISITION OF 100% EQUITY INTEREST  
IN THE TARGET COMPANY  
AND  
ISSUE OF CONSIDERATION SHARES  
UNDER GENERAL MANDATE**

**ACQUISITION**

The Board is pleased to announce that after trading hours on 9 October 2017, the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendors entered into the Equity Transfer Agreement pursuant to which the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, 100% equity interest in the Target Company.

The Target Company is established in the PRC and principally engaged in the pharmaceutical industry. Its business scope includes (i) the wholesale and retail of Chinese patent medicines, chemical medicine preparations, antibiotics, biochemical medicines, biological products, diagnostic drugs, Chinese herbal medicines, Chinese medicine drinking tablets and dietary supplements; (ii) the wholesale and retail of medical instruments and cosmetics; (iii) the acquisition of Chinese herbal medicines (not including those prohibited by the PRC such as ephedra); (iv) the growing, processing and sale of licorice (not including wild licorice); and (v) the acquisition and sale of ephedra grass (businesses that require pre-approvals according to laws and regulations can only be conducted after obtaining approvals from the relevant authorities).

The initial Consideration for the Acquisition is RMB33,951,760 (equivalent to approximately HK\$39,855,971), out of which (i) RMB12,000,000 (equivalent to approximately HK\$14,086,800) shall be paid in cash by the Purchaser to the Vendors in three instalments; and (ii) the remaining balance of RMB21,951,760 (equivalent to approximately HK\$25,769,171) shall be settled by the allotment and issue of 64,564,000 Consideration Shares at the issue price of HK\$0.40 (i.e. RMB0.34) per Consideration Share to the Vendors (or companies wholly-owned by the Vendors as nominees) within three months after the issue of a new business licence by the relevant government authority for the Target Company reflecting the Purchaser's ownership of 100% equity interest in the Target Company. The initial Consideration is subject to adjustment as more particularly set out in the section headed "Adjustment to Consideration" below.

The Consideration Shares represent (i) approximately 6.46% of the share capital of the Company as at the date of this announcement; and (ii) approximately 6.06% of the share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming that there is no other change to the share capital of the Company).

The Consideration Shares will be issued under the General Mandate.

Completion is conditional upon the satisfaction of the Conditions as more particularly set out in the section headed "Conditions precedent" below.

## **IMPLICATIONS UNDER THE LISTING RULES**

As the relevant percentage ratios under the Listing Rules in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to notification and announcement requirements of Chapter 14 of the Listing Rules.

The Board wishes to announce that after trading hours on 9 October 2017, the Purchaser, an indirectly wholly-owned subsidiary of the Company, and the Vendors entered into the Equity Transfer Agreement, pursuant to which the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, 100% equity interest in the Target Company at the Consideration (subject to adjustment), upon and subject to the terms and conditions of the Equity Transfer Agreement.

Major terms of the Equity Transfer Agreement are set out below.

## **THE EQUITY TRANSFER AGREEMENT**

### **Date**

9 October 2017

### **Parties**

- (1) the Purchaser; and
- (2) the Vendors.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, the Vendors are third parties independent of the Company and the connected persons of the Company.

### **Assets to be acquired**

Pursuant to the Equity Transfer Agreement, the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, 100% equity interest in the Target Company in accordance with the terms and conditions in the Equity Transfer Agreement.

## Consideration

The initial Consideration payable by the Purchaser for the Acquisition is RMB33,951,760 (equivalent to approximately HK\$39,855,971), which shall be settled in the following manner:

- (1) as to RMB12,000,000 (equivalent to approximately HK\$14,086,800) shall be paid in cash in three instalments:
  - (a) the first instalment in the amount of RMB5,000,000 (equivalent to approximately HK\$5,869,500) (“**Deposit**”) shall be paid as refundable deposit within five working days from the execution of the Equity Transfer Agreement (such deposit shall be immediately refundable to the Purchaser if the Equity Transfer Agreement is not performed, any Condition is not fulfilled or the Equity Transfer Agreement is terminated);
  - (b) the second instalment in the amount of RMB5,000,000 (equivalent to approximately HK\$5,869,500) shall be paid within five working days after the change of business registration with the relevant government authority reflecting the Purchaser’s ownership of 100% equity interest in the Target Company having completed (which shall be determined by the issue of a new business licence by such government authority (“**New Business Licence**”)), and by that time, the Deposit shall become part payment of the Consideration;
  - (c) the last instalment in the amount of RMB2,000,000 (equivalent to approximately HK\$2,347,800) (“**Last Instalment**”) shall be paid within five working days after the issue of the audited financial statements of the Target Company for the year ending 31 December 2017 (which shall be prepared in accordance with generally accepted accounting practice in the PRC) (“**Audited Financial Statements**”), subject to any adjustment to the Consideration as set out in the section headed “Adjustment to Consideration” below; and

- (2) as to the remaining balance of RMB21,951,760 (equivalent to approximately HK\$25,769,171) by the allotment and issue of 64,564,000 Consideration Shares by the Company, credited as fully paid, at an issue price of HK\$0.40 (i.e. RMB0.34) per Consideration Share to the Vendors (or companies wholly-owned by the Vendors as nominees), in proportion to their respective interests in the Target Company at Completion, within three months after the issue of the New Business Licence.

For the purpose of the Equity Transfer Agreement, the exchange rate between RMB and HK is fixed at RMB1 to HK\$1.1739.

The Consideration Shares represent (i) approximately 6.46% of the share capital of the Company as at the date of this announcement; and (ii) approximately 6.06% of the share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming that there is no other change to the share capital of the Company).

The issue price of HK\$0.40 per Consideration Share was arrived at by the Company and the Vendors after arm's length negotiations taking into account the prevailing trading price of the Shares. The issue price of the Consideration Shares (i.e. HK\$0.40) represents:

- (i) a discount of approximately 1.23% to the closing price of HK\$0.405 per Share as quoted on the Stock Exchange on the date of the Equity Transfer Agreement; and
- (ii) a discount of approximately 3.15% to the average closing price of HK\$0.413 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately prior to the date of the Equity Transfer Agreement.

The Consideration Shares will be issued under the General Mandate, under which the Directors are allowed to allot and issue up to 200,000,000 Shares, being 20% of the number of issued Shares as at the date of the annual general meeting of the Company held on 8 June 2017. Up to the date of this announcement, save that up to 90,000,000 Shares may be allotted and issued upon the exercise of the conversion rights attached to the Series 2 CB (as set out in the announcement of the Company dated 20 July 2017), the General Mandate has not been utilised. Accordingly, the issue of the Consideration Shares is not subject to any further approval of the Shareholders.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares to be allotted and issued shall rank pari passu among themselves and with all Shares in issue on the date of allotment and issue.

The Consideration was arrived at after arm's length negotiation between the parties to the Equity Transfer Agreement on normal commercial terms with reference to the valuation of the Target Company as at 31 July 2017 between RMB34,800,000 and RMB39,200,000, using market approach, by an independent valuer. The Group intends to satisfy that part of the Consideration which shall be settled in cash using the net proceeds from the issue of the convertible bonds of the Company, details of which are set out in the announcements of the Company dated 15 December 2016 and 29 December 2016.

### **Adjustment to Consideration**

Pursuant to the Equity Transfer Agreement, the Vendors have irrevocably undertaken to the Purchaser that the audited net profit after taxation of the Target Company for the year ending 31 December 2017 will not be less than RMB3,000,000.

In the event that the actual audited net profit after taxation of the Target Company for the year ending 31 December 2017 ("**Actual Profit**") is less than RMB3,000,000, the Consideration shall be adjusted in the following manner:

$$\text{Adjusted Consideration} = \text{RMB3,000,000} \times 12 - (\text{RMB3,000,000} - \text{Actual Profit}) \times 12$$

For avoidance of doubt, if the Target Company suffers trading loss for the year ending 31 December 2017, the Actual Profit for such year shall be a negative figure.

If the amount of adjustment to the Consideration ("**Adjustment Amount**") is at or below RMB2,000,000, the Last Instalment shall be adjusted downward by the Adjustment Amount. If the Adjustment Amount is above RMB2,000,000, the Vendors shall pay to the Purchaser in cash the Adjustment Amount within five working days after the issue of the Audited Financial Statements and the Purchaser shall have no obligation to pay the Last Instalment to the Vendors.

## **Conditions precedent**

Completion of the Acquisition shall be subject to the fulfilment or (if applicable) waiver of the following Conditions:

- (1) the Purchaser being reasonably satisfied with the results of the due diligence exercise on the operational, legal and financial aspects of the Target Company (whether conducted by the Purchaser and/or its professional advisers);
- (2) the Board having approved the transactions contemplated under the Equity Transfer Agreement and the execution, delivery and performance of the Equity Transfer Agreement by the Purchaser;
- (3) (i) the Equity Transfer Agreement having been duly executed and remains legal, valid, binding and enforceable; (ii) the Target Company having obtained all necessary rights, power and authority and full legal capacity to enter into, execute and perform the Equity Transfer Agreement and the transactions contemplated thereunder; and (iii) all necessary approvals and consents for the execution and performance of the Equity Transfer Agreement and the transactions contemplated thereunder having been obtained (including but not limited to the Stock Exchange granting the listing of, and permission to deal in, the Consideration Shares), and the Equity Transfer Agreement and the transactions contemplated thereunder not being restricted or prohibited by any applicable laws, including any order, decree, judgment or determination of any court, government authority or agency;
- (4) the Purchaser being satisfied that, from the date of the Equity Transfer Agreement and at any time before Completion, the Warranties remain true, accurate and not misleading and that no events have occurred that would result in any breach of any of the Warranties or other provisions of the Equity Transfer Agreement by the Vendors;

- (5) in the reasonable opinion of the Purchaser, there happens no incident or series of events or prospective incident or series of events having material adverse effect between the date of the Equity Transfer Agreement and the date of Completion;
- (6) there being no breach by the Target Company of its binding debt obligations;
- (7) the Vendors having delivered to the Purchaser before Completion originals of the Target Company's board resolutions and shareholders' resolutions (the form of which shall be agreed between the parties), the content of which shall include (i) resolutions approving the transfer of equity interest under the Equity Transfer Agreement; and (ii) resolutions approving the amendments to the memorandum and articles of association of the Target Company; and
- (8) the Vendors having delivered to the Purchaser before Completion the originals of the employment contracts signed between the Target Company and its senior management (the form of which shall be to the satisfaction of the Purchaser).

The Purchaser and the Vendors shall respectively use their reasonable endeavours and shall cooperate with each other to ensure that all the Conditions shall be fulfilled (or waived (if applicable)) within 30 days after the date of the Equity Transfer Agreement (i.e. at or before 3 p.m. on 8 November 2017 ("**Long Stop Date**") (or such other date as the parties may mutually agree in writing). Conditions (1), (4), (5), (6), (7) and (8) are capable of being waived by the Purchaser. Conditions (2) and (3) are not capable of being waived by any parties to the Equity Transfer Agreement.

If any of the Conditions is not fulfilled or waived (if applicable) at or before 3 p.m. on the Long Stop Date, all rights and obligations of the parties under the Equity Transfer Agreement shall cease and terminate (save and except for the obligation of the Vendors to return the Deposit to the Purchaser). Neither party shall have any claim against the other parties except for antecedent breaches.



## **Completion**

On the fifth day after the Conditions (save for the Conditions which are required to be satisfied on the date of Completion) having been fulfilled or waived (if applicable), the name of the Purchaser shall be registered in the register of members of the Target Company and the Target Company shall proceed to change its business registration with the relevant government authority.

Completion shall take place upon completion of the change of business registration of the Target Company with the relevant government authority, following which the Purchaser shall be entitled to all rights and benefits attaching to the entire equity interest in the Target Company in accordance with the constitutional documents of the Target Company and the relevant laws and regulations. Upon Completion, the Target Company shall become an indirect wholly-owned subsidiary of the Company and the financial statements of the Target Company would be consolidated in the accounts of the Group.

## **INFORMATION ON THE TARGET COMPANY**

The Target Company is established in the PRC and principally engaged in the pharmaceutical industry. Its business scope includes (i) the wholesale and retail of Chinese patent medicines, chemical medicine preparations, antibiotics, biochemical medicines, biological products, diagnostic drugs, Chinese herbal medicines, Chinese medicine drinking tablets and dietary supplements; (ii) the wholesale and retail of medical instruments and cosmetics; (iii) the acquisition of Chinese herbal medicines (not including those prohibited by the PRC such as ephedra); (iv) the growing, processing and sale of licorice (not including wild licorice); and (v) the acquisition and sale of ephedra grass (businesses that require pre-approvals according to laws and regulations can only be conducted after obtaining approvals from the relevant authorities).

The unaudited total assets value and the net assets value of the Target Company as at 31 July 2017 are approximately RMB11,163,000 (equivalent to approximately HK\$13,104,000) and approximately RMB2,538,000 (equivalent to approximately HK\$2,979,000), respectively.

The unaudited financial information of the Target Company for the two years ended 31 December 2015 and 2016 and the seven months ended 31 July 2017 are as follows:

	<b>Year ended 31 December 2015</b>	<b>Year ended 31 December 2016</b>	<b>Seven months ended 31 July 2017</b>
	<i>approximately</i>	<i>approximately</i>	<i>approximately</i>
	<i>RMB\$'000</i>	<i>RMB\$'000</i>	<i>RMB\$'000</i>
	<i>&lt;equivalent</i>	<i>&lt;equivalent</i>	<i>&lt;equivalent</i>
	<i>HK\$'000&gt;</i>	<i>HK\$'000&gt;</i>	<i>HK\$'000&gt;</i>
Net profit/(loss) before taxation	461 <541>	(162) <(190)>	2,303 <2,703>
Net profit/(loss) after taxation	346 <406>	(171) <(201)>	2,013 <2,363>

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The principal activities of the Group are pharmaceutical distribution, self-operated retail pharmacies and manufacture of pharmaceutical products in the PRC.

The Board is of the view that the Acquisition is in line with the core business of the Group and represents an opportunity to further develop the Company's business which is expected to benefit the Company and expand its income sources, in particular, in the area of Chinese medicines which is expected to become a RMB3 trillion market by 2020, according to the 13th Five Year Plan on the Development of Chinese Medicine of the PRC.

The Board considers that the terms of the Equity Transfer Agreement are normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately following the allotment and issue of the Consideration Shares (assuming that there is no change in the issued share capital of the Company from the date of this announcement and up to the allotment and issue of the Consideration Shares):

Shareholders	(1) As at the date of this announcement		(2) Immediately following the allotment and issue of the Consideration Shares	
	No. of Shares	Approximate %	No. of Shares	Approximate %
Praise Treasure Limited ( <i>Note 1</i> )	484,040,000	48.40	484,040,000	45.47
Shen Shun ( <i>Note 2</i> )	2,500,000	0.25	2,500,000	0.23
Zhang Xiongfeng ( <i>Note 3</i> )	14,000,000	1.40	14,000,000	1.32
Zhou Jian ( <i>Note 4</i> )	2,000,000	0.20	2,000,000	0.19
Vendors	–	–	64,564,000	6.06
Public Shareholders	497,460,000	49.75	497,460,000	46.73
<b>Total</b>	<b>1,000,000,000</b>	<b>100.00</b>	<b>1,064,564,000</b>	<b>100.00</b>

Notes:

1. Praise Treasure Limited is wholly-owned by Mr. Chen Yenfei, an executive Director, the Chairman and the Chief Executive Officer of the Company.
2. Mr. Shen Shun is an executive Director.
3. Mr. Zhang Xiongfeng is a non-executive Director.
4. Mr. Zhou Jian is an executive Director.

## IMPLICATIONS UNDER THE LISTING RULES

As the relevant percentage ratios under the Listing Rules in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the notification and announcement requirements of Chapter 14 of the Listing Rules.

## DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Acquisition”	the acquisition of 100% equity interest in the Target Company by the Purchaser from the Vendors pursuant to the terms of the Equity Transfer Agreement
“Board”	the board of Directors
“Company”	Pa Shun International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Stock Exchange
“Completion”	completion of the Acquisition, i.e. completion of the change of business registration of the Target Company with the relevant government authority in accordance with terms and conditions of the Equity Transfer Agreement
“Condition(s)”	conditions precedent to Completion pursuant to the Equity Transfer Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration of the Acquisition, initially at RMB33,951,760 (equivalent to approximately HK\$39,855,971)
“Consideration Shares”	means 64,564,000 Shares which will rank pari passu in all respects with all other Shares in issue as at the date of their allotment and issue
“Director(s)”	the director(s) of the Company

“Equity Transfer Agreement”	the equity transfer agreement dated 9 October 2017 entered into between the Purchaser and the Vendors in relation to the Acquisition
“General Mandate”	the general mandate granted by the Shareholders at the annual general meeting of the Company held on 8 June 2017 authorising the Directors to allot, issue or otherwise deal with up to 200,000,000 Shares (representing 20% of the number of issued Shares as at that date) and to make or grant offers, agreements and options which might require the exercise of such powers
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	成都科訊藥業有限公司 (in English for identification purpose only, Chengdu Kexun Pharmaceutical Co., Ltd.), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC

“Series 2 CB”	the 4% secured guaranteed convertible bonds in the principal amount of HK\$48,000,000 issued by the Company to Chance Talent Management Limited on 29 December 2016 pursuant to the subscription agreement dated 15 December 2016 and entered into between the Company, Praise Treasure Limited, Mr. Chen Yenfei and Chance Talent Management Limited, and constituted by the deed executed by the Company on 29 December 2016 which constitutes the Series 2 CB and contains the terms and conditions of the Series 2 CB, as supplemented and amended by the supplemental bond instrument executed by the Company on 2 August 2017, further details of which are set out in the announcements of the Company dated 15 December 2016, 29 December 2016 and 20 July 2017
“Share(s)”	ordinary shares of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	鹽池縣醫藥藥材有限公司 (in English for identification purpose only, Yanchi County Medical & Pharmaceutical Herbal Co., Ltd.), a company established in the PRC with limited liability and wholly-owned by the Vendors (as to 95% by Chen Yansong and 5% by Zhang Guozheng) as at the date of this announcement and immediately before Completion
“Vendors”	Chen Yansong and Zhang Guozheng

“Warranties” the representations, warranties and undertakings jointly and severally given by the Vendors pursuant to the Equity Transfer Agreement

“%” per cent.

*In this announcement, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB\$1 to HK\$1.1739. Such exchange rate has been used, where applicable, for the purpose of illustration only and do not constitute representations that any amounts were or may have been exchanged at this or any other rates or at all.*

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

Hong Kong, 9 October 2017

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