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山東羅欣藥業集團股份有限公司

**SHANDONG LUOXIN PHARMACEUTICAL GROUP STOCK CO., LTD.\***

*(a joint stock limited company established in the People's Republic of China with limited liability)*

**(Stock code: 8058)**



GL Capital Group  
德福資本

**GL INSTRUMENT  
INVESTMENT L.P.**

*(a limited partnership registered  
in Canada)*

**GIANT STAR GLOBAL (HK)  
LIMITED**

*(a company incorporated in  
Hong Kong with limited liability)*



Ally Bridge Group

**ALLY BRIDGE FLAGSHIP LX  
(HK) LIMITED**

*(a company incorporated in  
Hong Kong with limited liability)*

### **JOINT ANNOUNCEMENT**

**VOLUNTARY CONDITIONAL OFFER BY SOMERLEY CAPITAL LIMITED  
ON BEHALF OF GIANT STAR GLOBAL (HK) LIMITED  
(TO BE CO-INVESTED BY ENTITIES CONTROLLED BY MR. LIU ZHENTENG AND  
GL CAPITAL RESPECTIVELY)  
AND ALLY BRIDGE FLAGSHIP  
FOR ALL THE ISSUED H SHARES IN  
SHANDONG LUOXIN PHARMACEUTICAL GROUP STOCK CO., LTD.  
(OTHER THAN THOSE ALREADY OWNED, CONTROLLED OR AGREED TO BE  
ACQUIRED BY THE JOINT OFFERORS  
AND PARTIES ACTING IN CONCERT WITH ANY OF THEM WHO HAVE  
UNDERTAKEN NOT TO ACCEPT THE OFFER)**

**PROPOSED WITHDRAWAL OF LISTING OF THE H SHARES OF  
SHANDONG LUOXIN PHARMACEUTICAL GROUP STOCK CO., LTD.**

**RESUMPTION OF TRADING IN H SHARES OF  
SHANDONG LUOXIN PHARMACEUTICAL GROUP STOCK CO., LTD.**

**Financial Adviser to the Joint Offerors**



**SOMERLEY CAPITAL LIMITED**

**Financier to Ally Bridge Flagship**



**新鴻基金融集團  
SUN HUNG KAI FINANCIAL**

\* For identification purposes only

## 1. INTRODUCTION

On 7 March 2017 (before trading hours), the Board received a letter from the Joint Offerors and Giant Star BVI (for itself and on behalf of GL Instrument) that a voluntary conditional offer is being contemplated by Somerley Capital, on behalf of the Joint Offerors, for the H Shares (other than those H Shares owned, controlled or agreed to be acquired by the Joint Offerors and parties acting in concert with any of them who have undertaken not to accept the Offer) in accordance with the Takeovers Code which, if implemented, will result in the Delisting.

**The Offer is subject to a number of conditions as set out in this joint announcement, including the approval of the Delisting by the Independent H Shareholders at the H Share Class Meeting and by the Independent Shareholders at the EGM. The Offer may or may not become unconditional, and may or may not complete. Shareholders and/or potential investors should therefore exercise caution when dealing in the shares of the Company.**

## 2. CONSIDERATION FOR THE OFFER

The Offer will be made in accordance with the provisions of the Takeovers Code on the following basis:

**For each H Share . . . . . HK\$17.00 in cash**

**The Joint Offerors will not increase the offer price as set out above.**

The total consideration of the Offer (assuming full acceptance) would be approximately HK\$2,342,542,659. The Offer will be financed as to (i) 67.04% of the total consideration by Giant Star HK by cash or the credit facility available under the Pingan Loan Facility or a combination of the above; and (ii) 32.96% of the total consideration by Ally Bridge Flagship by a combination of a credit facility available under the SHK Facility Letter and cash from its internal resources. Somerley Capital has been appointed as the financial adviser to the Joint Offerors in respect of the Offer and is satisfied that sufficient financial resources are available to the Joint Offerors to satisfy full acceptance of the Offer.

## 3. CONDITIONS OF THE OFFER

The Offer is subject to the fulfilment or waiver, as applicable, of the following conditions:

- (a) the passing by the Independent H Shareholders at the H Share Class Meeting to be convened for this purpose of a resolution approving the Delisting, provided that:
  - (i) approval is given by at least 75% of the votes attaching to the H Shares held by the Independent H Shareholders that are cast either in person or by proxy; and

- (ii) the number of votes cast, by way of poll, against the resolution is not more than 10% of the votes attaching to all the H Shares held by the Independent H Shareholders;
- (b) the passing by the Independent Shareholders at the EGM to be convened for this purpose of a resolution approving the Delisting, provided that:
  - (i) approval is given by at least 75% of the votes attaching to the Shares held by the Independent Shareholders that are cast either in person or by proxy; and
  - (ii) the number of votes cast, by way of poll, against the resolution is not more than 10% of the votes attaching to all the Shares held by the Independent Shareholders;
- (c) all necessary authorizations, consents and approvals (including approval in-principle) of any government or governmental or regulatory body or court or institution in relation to the Delisting and the Offer (including the implementation thereof) having been obtained, and remaining in full force and effect and not having been revoked or rescinded pursuant to the provisions of any laws or regulations in Hong Kong, the PRC and other relevant jurisdictions;
- (d) all necessary third party consents in relation to the Delisting and the Offer, pursuant to any agreement to which the Company or any of its subsidiaries is a party, where any failure to obtain such consent would have a material adverse effect on the business of the Group taken as a whole, having been waived or obtained, and remaining in full force and effect and not having been revoked or rescinded by the relevant party(ies);
- (e) no event having occurred which would have a material adverse effect on the legal ability of the Joint Offerors to proceed with or consummate the Offer or the Delisting;
- (f) no event having occurred which would make the Delisting or the Offer or the acquisition of any of the H Shares void, unenforceable or illegal or which would restrict or prohibit the implementation of, or impose any additional material conditions or obligations with respect to, the Delisting or the Offer or any part thereof; and
- (g) no change, fact, event or circumstance having occurred which has had or would reasonably be expected to have a material adverse effect on the business, financial position, operations or prospects of the Group taken as a whole.

Giant Star BVI (on behalf of the Joint Offerors) reserves the right to waive any of the conditions set out above (except for the conditions referred to in paragraphs (a), (b) and (c) above) in whole or in part.

The Offer will be made in compliance with the Takeovers Code, which is administered by the Executive.

#### **4. IRREVOCABLE UNDERTAKINGS**

On 10 March 2017, each of the holders of the Domestic Shares (including the Six Domestic Shareholders) entered into the Irrevocable Undertakings in favour of the Joint Offerors and Giant Star BVI (for itself and on behalf of GL Instrument), pursuant to which each of them has irrevocably agreed and undertaken to the Joint Offerors and Giant Star BVI (for itself and on behalf of GL Instrument) that, among other things, no offer has to be extended to such Domestic Shareholder if a voluntary conditional cash offer is made by the Joint Offerors or their nominee and even if such offer is extended to the Domestic Shareholders, it will not accept such offer.

Given that all the Independent Domestic Shareholders have entered into the Irrevocable Undertakings, no comparable offer will be made to the Domestic Shareholders and the Joint Offerors will apply to the Executive for a waiver from the requirements under Rule 14 of the Takeovers Code.

#### **5. NO RIGHT OF COMPULSORY ACQUISITION**

**The Joint Offerors have no rights under the laws of the PRC and the Articles of Association of the Company to compulsorily acquire the H Shares that are not tendered for acceptance pursuant to the Offer. Accordingly, the H Shareholders are reminded that if they do not accept the Offer and the Offer subsequently becomes unconditional in all respects, and the H Shares are delisted from the Stock Exchange, this will result in the H Shareholders holding shares that are not listed on the Stock Exchange and the liquidity of the H Shares may be severely reduced. In addition, the Company will no longer be subject to the requirements under the GEM Listing Rules and may or may not continue to be subject to the Takeovers Code after completion of the Offer depending on whether it remains as a public company in Hong Kong for the purposes of the Takeovers Code thereafter.**

The Joint Offerors will apply to the Executive for a waiver from the requirements under Rule 2.2(c) of the Takeovers Code, which requires a resolution to approve a delisting to be made subject to the relevant offeror(s) being entitled to exercise, and exercising, its rights of compulsory acquisition.

#### **6. OTHER INFORMATION**

##### **Reasons for and benefits of the Offer**

The Joint Offerors believe that the Offer provides a compelling opportunity for the H Shareholders to dispose of their H Shares (other than those owned, controlled or agreed to be acquired by the Joint Offerors and parties acting in concert with any of them who have undertaken not to accept the Offer) and to realise their investment in the Company for cash at an attractive premium over the prevailing market price without having to suffer any illiquidity discount for the reasons set out in the subsection headed “6.1 Reasons for and benefits of the Offer”.

## **Shareholding structure of the Company**

As at the date of this joint announcement, the Joint Offerors and their concert parties are interested in 347,595,775 Domestic Shares and 32,074,000 H Shares, representing in aggregate approximately 62.28% of the Shares, made up of approximately 78.10% of the total issued Domestic Shares and approximately 19.49% of the total issued H Shares. The Shares beneficially owned by the Joint Offerors and the parties acting in concert with any of them, will not, in compliance with the Takeovers Code, be voted at the H Share Class Meeting and/or the EGM.

## **Closing Date of the Offer**

The Offer will initially be open for acceptances for at least 21 days from the date of the Composite Document. Once all of the conditions of the Offer have been fulfilled or waived (as applicable), the Offer will be declared unconditional and will be extended for a subsequent period of at least 28 days before the Offer is closed in order to allow sufficient time for those H Shareholders who have not initially accepted the Offer to accept the Offer or to process the transfer of their H Shares.

## **Composite Document**

The Composite Document will contain details of, among other things, the Offer, the expected timetable relating to the Offer, the recommendations of the Independent Committee in respect of the Offer, the letter of advice from the independent financial adviser to the Independent Committee in respect of the Offer, as well as other particulars required by the Takeovers Code, and will be despatched to the H Shareholders within 21 days from the date of this joint announcement or such later date to which the Executive may consent.

Notices of the H Share Class Meeting and the EGM will also be sent to the Shareholders together with the Composite Document.

## **Independent committee of the Board of the Company**

In accordance with Rule 2.1 of the Takeovers Code, an independent committee of the Board has been established to make recommendations as to whether the terms of the Offer are, or are not, fair and reasonable and as to acceptances and whether the Delisting is, or is not, fair and reasonable and as to voting. The Independent Committee comprises all of the independent non-executive Directors, namely, Mr. Foo Tin Chung, Victor, Mr. Fu Hongzheng, Ms. Huang Huiwen and Prof. Du Guanhua, each of whom has no direct or indirect interest in the Offer and the Delisting.

An independent financial adviser will be appointed, subject to the approval of the Independent Committee, to advise the Independent Committee as to whether the terms of the Offer are, or are not, fair and reasonable and as to acceptances and whether the Delisting is, or is not, fair and reasonable and as to voting. A separate announcement will be made by the Company as soon as possible after the independent financial adviser has been appointed.

## **7. WITHDRAWAL OF LISTING OF THE H SHARES**

Upon the Offer becoming unconditional, the Company will make an application for the Delisting in accordance with Rule 9.20 of the GEM Listing Rules. The Shareholders will be notified by way of an announcement of the dates for the last day for dealing in the H Shares and on which the Delisting will become effective.

## **8. RESUMPTION OF TRADING IN THE H SHARES**

**At the request of the Company, trading in the H Shares on the Stock Exchange has been halted from 9:00 a.m. on 7 March 2017 pending the release of this joint announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the H Shares on the Stock Exchange with effect from 9:00 a.m. on 14 March 2017.**

### *Notice to the holders of H Shares in the United States*

*The Offer is subject to Hong Kong disclosure and procedural requirements, including with respect to offer timetable, settlement procedures, timing of payments and withdrawal rights, which are different from those applicable to tender offers carried out in the United States. In the absence of a relevant exemption under the laws of the United States, the Offer may not be available to persons who are in the United States. Even where an exemption is available, persons in the United States are urged, before accepting the Offer, to consult their own professional advisers regarding the tax consequences of acceptance of the Offer, whether in relation to United States federal income tax or taxes under applicable state and local tax laws, or foreign tax laws.*

*The financial information of the Company has been extracted from the audited financial statements of the Company for the three years ended 31 December 2016, which have been prepared in accordance with the Hong Kong Financial Reporting Standards, which may not be wholly comparable to financial information of United States companies or companies whose financial statements are solely prepared in accordance with generally accepted accounting principles in the United States.*

*The Company is incorporated under the laws of the People's Republic of China. It may be difficult for holders of H Shares in the United States to enforce their rights and claims arising out of United States federal securities laws, since the Company is located in a country other than the United States, some or all of its officers and directors may be residents of a country other than the United States and the assets of the Company may be located outside the United States. Holders of H Shares in the United States may not be able to sue a non-United States company or its officers or directors in a non-United States court for violations of United States securities laws. It may be difficult for such holders of H Shares to effect service of process within the United States upon the Company or its officers or directors or to enforce against them any judgment of a United States court predicated upon the federal or state securities laws of the United States. In particular holders of H Shares in the United States should note that the Joint Offerors reserve the right themselves or through affiliates or nominees or their brokers acting as agents from time to time making purchases of, or arrangements to purchase H Shares outside of the United States whether in*

*open market or by private transaction during the offer period of the Offer other than pursuant to the Offer to the extent permitted by and in accordance with the requirements of the Takeovers Code. Information about such purchases will be reported to the SFC in accordance with the requirements of the Takeovers Code and will be available on the website of the SFC at <http://www.sfc.hk/>.*

## **1. INTRODUCTION**

On 7 March 2017 (before trading hours), the Board received a letter from the Joint Offerors and Giant Star BVI (for itself and on behalf of GL Instrument) that a voluntary conditional offer is being contemplated by Somerley Capital, on behalf of the Joint Offerors, for the H Shares (other than those H Shares owned, controlled or agreed to be acquired by the Joint Offerors and parties acting in concert with any of them who have undertaken not to accept the Offer) in accordance with the Takeovers Code which, if implemented, will result in the Delisting.

**The Offer is subject to a number of conditions as set out in this joint announcement, including the approval of the Delisting by the Independent H Shareholders at the H Share Class Meeting and by the Independent Shareholders at the EGM. The Offer may or may not become unconditional, and may or may not complete. Shareholders and/or potential investors should therefore exercise caution when dealing in the securities of the Company.**

## **2. THE OFFERS**

### **2.1 Consideration for the Offer**

The Offer will be made in accordance with the provisions of the Takeovers Code on the following basis:

**For each H Share .....HK\$17.00 in cash**

**The Joint Offerors will not increase the offer price as set out above.**

### **2.2 Comparisons of value**

The offer price under Offer represents:

- (1) a premium of approximately 31.78% over HK\$12.90 which is the closing price per H Share as quoted on the Stock Exchange on the Last Trading Date;
- (2) a premium of approximately 30.37% over HK\$13.04 which is the average closing price per H Share as quoted on the Stock Exchange for the five trading days up to and including the Last Trading Date;
- (3) a premium of approximately 39.69% over HK\$12.17 which is the average closing price per H Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Date;

- (4) a premium of approximately 54.55% over HK\$11.00 which is the average closing price per H Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Date;
- (5) a premium of approximately 50.44% over HK\$11.30 which is the average closing price per H Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Date; and
- (6) a premium of approximately 223.81% over RMB4.62 which is the audited consolidated net asset value of each Share as at 31 December 2016.

### **2.3 Highest and lowest prices**

During the six-month period preceding the Last Trading Date, the highest per share closing price of the H Shares as quoted on the Stock Exchange was HK\$13.26 which was recorded on 3 March 2017, and the lowest per share closing price of the H Shares as quoted on the Stock Exchange was HK\$9.30 which was recorded on 18 October 2016.

### **2.4 Settlement of consideration**

Settlement of the consideration in respect of valid acceptances of the Offer will be made as soon as possible but in any event within seven business days of the date of receipt of a complete and valid acceptance of the Offer or of the date on which the Offer becomes or is declared unconditional in all respects, whichever is the later.

### **2.5 Total consideration and confirmation of financial resources**

Based on the cash offer price of HK\$17.00 per H Share and the total number of H Shares subject to the Offer of 137,796,627 H Shares (representing the H Shares not already owned, controlled or agreed to be acquired by the Joint Offerors and parties acting in concert with any of them who have undertaken not to accept the Offer), the total consideration of the Offer (assuming the Offer is accepted in full and there are no changes in the share capital of the Company) is approximately HK\$2,342,542,659.

The consideration was determined by the Joint Offerors with reference to 90-day and 180-day average closing prices per H Share up to and including the Last Trading Date, the most recent published financial information of the Company and the Joint Offerors' assessment of the Company's business and its prospects and its market position.

The Offer will be financed as to (i) 67.04% of the total consideration by Giant Star HK by cash or the credit facility available under the Pingan Loan Facility or a combination of the above; and (ii) 32.96% of the total consideration by Ally Bridge Flagship by a combination of a credit facility available under the SHK Facility Letter and cash from its internal resources.

The Pingan Loan Facility may be used by Giant Star HK from time to time for the purpose of acquisition of the H Shares under the Offer after the Offer has become unconditional. If the facility provided under the Pingan Loan Facility has been used, the H Shares acquired by Giant Star HK shall be pledged to Ping An Bank Co., Ltd. as security. If the facility provided under the SHK Facility Letter is utilised, the H Shares acquired by Ally Bridge Flagship using the proceeds of each utilisation shall be pledged to Sun Hung Kai Investment Services Limited as security.

Somerley Capital has been appointed as the financial adviser to the Joint Offerors in respect of the Offer and is satisfied that sufficient financial resources are available to the Joint Offerors to satisfy full acceptance of the Offer.

### **3. CONDITIONS OF THE OFFER**

The Offer is subject to the fulfilment or waiver, as applicable, of the following conditions:

- (a) the passing by the Independent H Shareholders at the H Share Class Meeting to be convened for this purpose of a resolution approving the Delisting, provided that:
  - (i) approval is given by at least 75% of the votes attaching to the H Shares held by the Independent H Shareholders that are cast either in person or by proxy; and
  - (ii) the number of votes cast, by way of poll, against the resolution is not more than 10% of the votes attaching to all the H Shares held by the Independent H Shareholders;
- (b) the passing by the Independent Shareholders at the EGM to be convened for this purpose of a resolution approving the Delisting, provided that:
  - (i) approval is given by at least 75% of the votes attaching to the Shares held by the Independent Shareholders that are cast either in person or by proxy; and
  - (ii) the number of votes cast, by way of poll, against the resolution is not more than 10% of the votes attaching to all the Shares held by the Independent Shareholders;
- (c) all necessary authorizations, consents and approvals (including approval in-principle) of any government or governmental or regulatory body or court or institution in relation to the Delisting and the Offer (including the implementation thereof) having been obtained, and remaining in full force and effect and not having been revoked or rescinded pursuant to the provisions of any laws or regulations in Hong Kong, the PRC and other relevant jurisdictions;
- (d) all necessary third party consents in relation to the Delisting and the Offer, pursuant to any agreement to which the Company or any of its subsidiaries is a party, where any failure to obtain such consent would have a material adverse

effect on the business of the Group taken as a whole, having been waived or obtained and remaining in full force and effect and not having been revoked or rescinded by the relevant party(ies);

- (e) no event having occurred which would have a material adverse effect on the legal ability of the Joint Offerors to proceed with or consummate the Offer or the Delisting;
- (f) no event having occurred which would make the Delisting or the Offer or the acquisition of any of the H Shares void, unenforceable or illegal or which would restrict or prohibit the implementation of, or impose any additional material conditions or obligations with respect to, the Delisting or the Offer or any part thereof; and
- (g) no change, fact, event or circumstance having occurred which has had or would reasonably be expected to have a material adverse effect on the business, financial position, operations or prospects of the Group taken as a whole.

Giant Star BVI (on behalf of the Joint Offerors) reserves the right to waive any of the conditions set out above (except for the conditions referred to in paragraphs (a), (b) and (c) above) in whole or in part. Referring to paragraph (c) above, in Hong Kong, the Delisting and the Offer shall comply with the requirements under the GEM Listing Rules and the Takeovers Code, including the approval of the Delisting by the Stock Exchange, and the Executive's consents for the waivers from the requirements under Rule 2.2(c) and Rule 14 of the Takeovers Code. As advised by the PRC lawyers to the Joint Offerors, no PRC regulatory approval is required for the making of the Offer by the Joint Offerors and the Delisting.

The Offer will be made in compliance with the Takeovers Code, which is administered by the Executive. In accordance with Note 2 to Rule 30.1 of the Takeovers Code, the Joint Offerors will not invoke any of the above conditions to the Offer so as to cause the Offer to lapse unless the circumstances which give rise to the right to invoke the condition are of material significance to the Joint Offerors in the context of the Offer.

If all of the conditions under the Offer are fulfilled or waived (as applicable), an announcement will be made in accordance with the Takeovers Code and the GEM Listing Rules as soon as practicable.

#### **4. IRREVOCABLE UNDERTAKINGS**

As at the date of this joint announcement, there are 445,040,000 Domestic Shares in issue, of which 347,595,775 Domestic Shares in aggregate are owned by the following parties acting in concert with Giant Star HK: (i) Shandong Luoxin Holdings, the controlling shareholder of the Company owned as to 73.1% by Mr. Liu Baoqi and Mr. Liu Zhenteng in aggregate and Mr. Liu Zhenteng is the ultimate controlling shareholder of Giant Star HK, one of the Joint Offerors; (ii) 廣州德福股權投資基金合夥企業(有限合夥) (Guangzhou GL Capital Investment Fund L.P.\*), which is an affiliated fund of GL Instrument, one of the Consortium Investors; and (iii) Mr. Li Xuiliang and Mr. Chen Laiyang, both are directors of Vibrant Grow Limited which wholly owns Giant Star HK, details of which are set out in the section headed "6. Other information — 6.6

Shareholding structure of the Company”. The remaining 97,444,225 Domestic Shares, representing approximately 21.90% of the total issued Domestic Shares and approximately 15.98% of the total issued Shares, are owned by the Six Domestic Shareholders.

On 10 March 2017, each of the holders of the Domestic Shares (including the Six Domestic Shareholders) entered into the Irrevocable Undertakings in favour of the Joint Offerors and Giant Star BVI (for itself and on behalf of GL Instrument), pursuant to which each of them has irrevocably agreed and undertaken to the Joint Offerors and Giant Star BVI (for itself and on behalf of GL Instrument) that, among other things, (i) no offer has to be extended to such Domestic Shareholder if a voluntary conditional cash offer is made by the Joint Offerors or their nominee; (ii) even if such offer is extended to the Domestic Shareholders, it will not accept such offer in respect of the Domestic Shares beneficially owned by it; (iii) it will not offer, sell, give, transfer, pledge, encumber, charge, grant any right over or otherwise dispose of or deal with any of the Domestic Shares or any interest therein until completion of the Delisting (or in respect of some of the holders of the Domestic Shares, until the earlier of the completion of the Delisting and the date which is nine (9) months after the date of the Irrevocable Undertakings); and (iv) it will support the Delisting, including to vote in favour of the delisting resolution in the EGM. The Irrevocable Undertakings will terminate when the Offer is withdrawn, lapsed or closed.

Given that all the Independent Domestic Shareholders have entered into the Irrevocable Undertakings, no comparable offer will be made to the Domestic Shareholders and the Joint Offerors will apply to the Executive for a waiver from the requirements under Rule 14 of the Takeovers Code.

## **5. NO RIGHT OF COMPULSORY ACQUISITION**

**The Joint Offerors have no rights under the laws of the PRC and the Articles of Association of the Company to compulsorily acquire the H Shares that are not tendered for acceptance pursuant to the Offer. Accordingly, the H Shareholders are reminded that if they do not accept the Offer and the Offer subsequently becomes unconditional in all respects, and the H Shares are delisted from the Stock Exchange, this will result in the H Shareholders holding securities that are not listed on the Stock Exchange and the liquidity of the H Shares may be severely reduced. In addition, the Company will no longer be subject to the requirements under the GEM Listing Rules and may or may not continue to be subject to the Takeovers Code after completion of the Offer depending on whether it remains as a public company in Hong Kong for the purposes of the Takeovers Code thereafter.**

The Joint Offerors will apply to the Executive for a waiver from the requirements under Rule 2.2(c) of the Takeovers Code, which requires a resolution to approve a delisting to be made subject to the relevant offeror(s) being entitled to exercise, and exercising, its rights of compulsory acquisition.

## 6. OTHER INFORMATION

### 6.1 Reasons for and benefits of the Offer

The Group is principally engaged in the manufacturing and distribution of pharmaceutical products and has registered satisfactory profitability since its listing in 2005. Nevertheless, the operating environment of pharmaceutical enterprises has become difficult since 2015 due to the sustained decrease in tender prices, drug proportion, medical insurance premium control, the introduction of policies like quality consistency evaluation for generic drugs, reform on registration category for chemical drugs and reform on assessment and approval for pharmaceutical products. The Group is also facing increasing pressure over its sales and profitability due to the industrial policies and the market environment. For the year ended 31 December 2016, the Group's profit attributable to Shareholders decreased by 23.07% year-on-year. In view of numerous newly-implemented industry policies, the Group not only put significant effort on the establishment of its sales teams and proactively broadened its sales network so as to enhance the market share of its products but also adjusted its operating strategies in order to adapt to changes in the industry and market demands by investing additional resources in scientific research to consolidate its standing in scientific researches and technologies. However, it is anticipated that these measures taken by the Group will result in squeeze on its net profit margin in short-to-mid-term.

As a publicly listed company, investors would have different requirements with regard to their return on investment, which may differ from the development plan of the Group in the long run. The Offer, if completed, will enable the Company to have greater flexibility to make timely investment decision and to focus on the long term development of the Group.

The Joint Offerors also believe that the Offer provides a compelling opportunity for the H Shareholders to dispose of their H Shares (other than those owned, controlled or agreed to be acquired by the Joint Offerors and parties acting in concert with any of them who have undertaken not to accept the Offer) and to realise their investment in the Company for cash at an attractive premium over the prevailing market price without having to suffer any illiquidity discount, for the following reasons:

- **Satisfactory return:** the offer price under the Offer represents 65.38 times the offer price of the H Shares at the initial public offering.
- **Premium valuation:** the Offer provides an opportunity for the H Shareholders to sell their H Shares and receive cash at a price significantly above the prevailing market price as set out in the sub-section headed "2.2 Comparisons of value".
- **Certain and immediate value:** considering the low trading volume in the H Shares, it may be challenging for the H Shareholders to dispose of their H Shares without adversely affecting the market price of the H Shares. The Offer

presents an opportunity for the H Shareholders to dispose of their H Shares and exit their investment for cash proceeds which may be reinvested in alternative investments with higher liquidity.

- **Avoid holding unlisted shares:** assuming the Offer will become unconditional, the Company will make an application for the listing of the H Shares to be withdrawn from the Stock Exchange in accordance with Rule 9.20 of the GEM Listing Rules. If the H Shares are delisted from the Stock Exchange, the H Shares will become securities that are not listed or quoted on any stock exchange and the liquidity of the H Shares will be severely reduced.

The Directors (other than Mr. Liu Baoqi, Mr. Liu Zhenteng and Mr. Liu Zhenhai, each of whom has either a material interest or a conflict of interest in the Offer, and members of the Independent Committee who will give their view after considering the advice of the independent financial adviser to be appointed) believe that the terms of the Offer are fair and reasonable and in the interests of the Shareholders as a whole.

## 6.2 Future plans for the Group

The Joint Offerors intend to continue with the existing business of the Group and do not intend to make any material changes to the current business operations of the Group following completion of the Offer. It is also the intention of the Joint Offerors that there will not be any material changes in the management or employees of the Group as a result of the Offer.

## 6.3 Information on the Joint Offerors

Giant Star HK was incorporated on 13 February 2017 in Hong Kong as a limited liability company. Its principal business is as an investment vehicle for the sole purpose of the Offer. As at the date of this joint announcement, Giant Star HK is held as to 100% by Vibrant Grow Limited, a company incorporated in the British Virgin Islands with limited liability as an investment vehicle for the sole purpose of the Offer, which is in turn held as to 100% by Giant Star BVI which is ultimately 100% owned by Mr. Liu Zhenteng who is also an executive Director of the Company and the son of Mr. Liu Baoqi, the ultimate controlling shareholder, the chairman and the founder of the Company.

Ally Bridge Flagship was incorporated in Hong Kong as a limited liability company. It is an investment vehicle for the purpose of the Offer, and held as to 100% by Flagship Lucky Limited, which is in turn held as to 67% by Ally Bridge Group Innovation Capital Partners III, L.P. (“**ABG Fund III**”) and 33% by Ally Bridge Group Capital Partners II, L.P. (“**ABG Fund II**”) as at the date of this joint announcement. Each of ABG Fund III and ABG Fund II is an exempted limited partnership established in the Cayman Islands whose principal business is investment holding. ABG Fund III is managed and operated by its general partner, ABG Innovation Capital Partners III GP, L.P., which is in turn an exempted limited partnership established in the Cayman Islands managed and operated by its general partner, ABG Innovation Capital Partners III GP Limited (“**ABG Fund III GP**”). ABG Fund III GP is ultimately held as to 100% by Mr. Yu Fan (aka Frank Yu).

ABG Fund II is managed and operated by its general partner, ABG Capital Partners II GP, L.P. which is in turn an exempted limited partnership established in the Cayman Islands managed and operated by its general partner, ABG Capital Partners II GP Limited (“**ABG Fund II GP**”). ABG Fund II GP is ultimately held as to 100% by Mr. Yu Fan.

Ally Bridge Group is a global healthcare-focused investment group, founded and led by Mr. Yu Fan (formerly a Managing Director of Goldman Sachs and Och-Ziff Capital) with a global healthcare investment portfolio in China, the United States, and Europe and more than US\$1 billion in assets under management. In 2015, Ally Bridge Group initiated, led and completed the US\$3.3 billion take-private of WuXi PharmaTech, a leading global life science service provider, from the New York Stock Exchange.

#### **6.4 Information on the Consortium Investors and the Consortium Agreement**

The Consortium Investors comprise Giant Star BVI, GL Instrument and Ally Bridge Flagship.

##### *Consortium Investors*

Giant Star BVI was incorporated in the British Virgin Islands as a limited liability company as an investment vehicle for the purpose of the Offer, and is held as to 100% by Liu Zhenteng who is an executive Director of the company and a shareholder of Shandong Luoxin Holdings. For details of his equity interest in the Company, please refer to the sub-section headed “6.6 Shareholding structure of the Company”.

GL Instrument is a limited partnership registered in Alberta, Canada, as an investment vehicle for GL Capital. It is managed and operated by its general partner, GL Capital Management GP II B.C. 4 Ltd., a company incorporated in Vancouver, Canada, whose principal business is investment holding and is held as to 100% by GL Capital Management Limited, which is ultimately controlled by Mr. Li Zhenfu.

GL Capital is a leading investor in China healthcare. With a deep understanding of the Chinese healthcare industry, GL Capital’s mission is to invest wisely, partner with and add value to leaders of the industry. GL Capital has been a significant shareholder of the Company since 2013.

Please refer to the sub-section headed “6.3 Information on the Joint Offerors” for information of Ally Bridge Flagship.

Save as disclosed above and in the sub-section headed “6.6 Shareholding structure of the Company”, none of the Joint Offerors, the Consortium Investors or any party acting in concert with any of them is a Shareholder.

### *Consortium Agreement*

On 7 March 2017, Giant Star HK, Ally Bridge Flagship, GL Instrument, Vibrant Grow Limited and Giant Star BVI entered into the Consortium Agreement for the purposes of governing their respective rights and liabilities in connection with the Offer.

Under the Consortium Agreement, each Joint Offeror has agreed and undertaken, among other things, (i) to contribute the investment amount such Joint Offeror has committed for the Offer, and (ii) to reimburse Giant Star BVI and its affiliates for third party costs and expenses incurred in connection with the Offer and the Delisting (including, without limitation, fees for professional advisors, financial printers and other intermediaries acting for the Joint Offerors) in proportion to its contribution of the investment amount to the Offer.

Furthermore, each of Giant Star HK, Ally Bridge Flagship, Vibrant Grow Limited and GL Instrument (each for itself and on behalf of its parties acting in concert who have undertaken not to accept the Offer) has agreed and undertaken to act in concert in respect of the Offer and to grant Giant Star BVI the right to take all actions relating to the Offer and the Delisting.

As at the date of this joint announcement, Vibrant Grow Limited is wholly-owned by Giant Star BVI, which is in turn, wholly-owned by Mr. Liu Zhenteng. Pursuant to the Consortium Agreement, GL Instrument has agreed to contribute up to HK\$224,415,962 of investment amount for the acquisition of H Shares under the Offer and subscribe for such number of shares representing 14.29% of the enlarged issued share capital of Vibrant Grow Limited. Upon the Offer becoming unconditional and completion of the share subscription of Vibrant Grow Limited pursuant to the Consortium Agreement, Vibrant Grow Limited will be owned as to 85.71% by Giant Star BVI and 14.29% by GL Instrument. Each of Giant Star BVI and GL Instrument has also agreed to share all costs concerning Vibrant Grow Limited and Giant Star HK in respect of their establishment and the making of the Offer based on their ownership percentage in Vibrant Grow Limited whether or not the share subscription by GL Instrument in Vibrant Grow Limited has completed.

Assuming the Offer is accepted in full and there are no changes in the share capital of the Company, the investment amount and the corresponding interest of the Joint Offerors and the Consortium investors in the H Shares acquired under the Offer are expected to be as follows:

<b>Joint Offerors/ Consortium Investors</b>	<b>Investment amount (HK\$)</b>	<b>Approximate % of total H Shares acquired under the Offer</b>
<b>Giant Star HK<sup>(1)</sup></b>	<b>1,570,440,599</b>	<b>67.04%</b>
(1) Giant Star BVI	1,346,024,637	57.46%
(2) GL Instrument	224,415,962	9.58%
<b>Ally Bridge Flagship</b>	<b>772,102,060</b>	<b>32.96%</b>

*Note:*

<sup>(1)</sup> Pursuant to the Consortium Agreement, GL Instrument has agreed to contribute up to HK\$224,415,962 to the investment amount (representing 9.58% of the total investment amount) for the acquisition of H Shares under the Offer and subscribe for such number of shares representing 14.29% of the enlarged issued share capital of Vibrant Grow Limited.

## 6.5 Information on the Group

The Company is a joint stock limited company established under the laws of the PRC with limited liability whose H Shares have been listed on the Growth Enterprise Market of the Stock Exchange since 9 December 2005.

The Group is principally engaged in the manufacturing and selling of pharmaceutical products, including wholesaling and manufacturing biochemical products and Chinese medicine.

Selected financial information of the Group as extracted from the Company's audited consolidated financial statements for the three years ended 31 December 2016 prepared in accordance with the Hong Kong Financial Reporting Standards is set out below:

	<b>For the year ended 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
Turnover	2,766.8	3,611.4	4,117.6
Profit before tax	527.9	571.9	463.8
Profit attributable to owners of the Company	443.6	492.9	379.2

## 6.6 Shareholding structure of the Company

The shareholding structure of the Company as at the date of this joint announcement and immediately after completion of the Offer (assuming the Offer is fully accepted and the total issued share capital of the Company remains unchanged) is as follows:

	As at the date of this joint announcement		Immediately after completion of the Offer (assuming the Offer is fully accepted and the total issued share capital of the Company remains unchanged)	
	Number of Shares	Approximate % of shareholding	Number of Shares	Approximate % of shareholding
<b>Domestic Shares</b>				
Joint Offerors and their concert parties	347,595,775	57.02%	347,595,775	57.02%
— Giant Star HK and its concert parties	347,595,775	57.02%	347,595,775	57.02%
— Ally Bridge Flagship and its concert parties	—	—	—	—
Six Domestic Shareholders	<u>97,444,225</u>	<u>15.98%</u>	<u>97,444,225</u>	<u>15.98%</u>
Total Domestic Shares	<u>445,040,000</u>	<u>73.01%</u>	<u>445,040,000</u>	<u>73.01%</u>
<b>H Shares</b>				
Joint Offerors and their concert parties	32,074,000	5.26%	164,560,000	26.99%
— Giant Star HK and its concert parties	29,004,000	4.76%	119,142,232	19.54%
— Ally Bridge Flagship and its concert parties	3,070,000	0.50%	45,417,768	7.45%
Public Shareholders (i.e., Independent H Shareholders)	<u>132,486,000</u>	<u>21.73%</u>	<u>—</u>	<u>—</u>
Total H Shares	<u>164,560,000</u>	<u>26.99%</u>	<u>164,560,000</u>	<u>26.99%</u>
Total share capital of the Company	<u>609,600,000</u>	<u>100.00%</u>	<u>609,600,000</u>	<u>100.00%</u>

*Note:* The percentage figures in the table above are approximate figures which have been rounded to the second decimal place

As at the date of this joint announcement, the Company does not have any other outstanding convertible securities, options, warrants or derivatives in issue which confer any right to subscribe for, convert or exchange into Domestic Shares or H Shares and/or rights over the Domestic Shares or H Shares in issue.

As at the date of this joint announcement, the Joint Offerors and their concert parties (other than those with exempt principal trader or exempt fund manager status) are interested in approximately 62.28% of the Shares, held as follows:

	Number of Domestic Shares	Approximate % of total issued Domestic Shares	Number of H Shares	Approximate % of total issued H Shares
Shandong Luoxin Holdings <sup>(1)</sup>	293,075,954	65.85%	—	—
Mr. Li Xueliang <sup>(2)</sup>	17,000,000	3.82%	—	—
Mr. Chen Laiyang <sup>(2)</sup>	30,239,821	6.79%	—	—
Ms. Zhang Yi <sup>(3)</sup>	—	—	1,668,000	1.01%
Mr. Liu Zhenfei <sup>(2)</sup>	—	—	412,000	0.25%
廣州德福股權投資基金合夥企業 (有限合夥) (Guangzhou GL Capital Investment Fund L.P.*) <sup>(4)</sup>	7,280,000	1.64%	—	—
GL Trade Investment Limited <sup>(5)</sup>	—	—	26,166,000	15.90%
GL Healthcare Investment L.P. <sup>(6)</sup>	—	—	597,373	0.36%
GL China Long Equity Opportunities SPV L.P. <sup>(7)</sup>	—	—	160,627	0.10%
Ally Bridge LB Healthcare Master Fund Limited <sup>(8)</sup>	—	—	3,070,000	1.87%
<b>Total</b>	<b><u>347,595,775</u></b>	<b><u>78.10%</u></b>	<b><u>32,074,000</u></b>	<b><u>19.49%</u></b>

*Notes:*

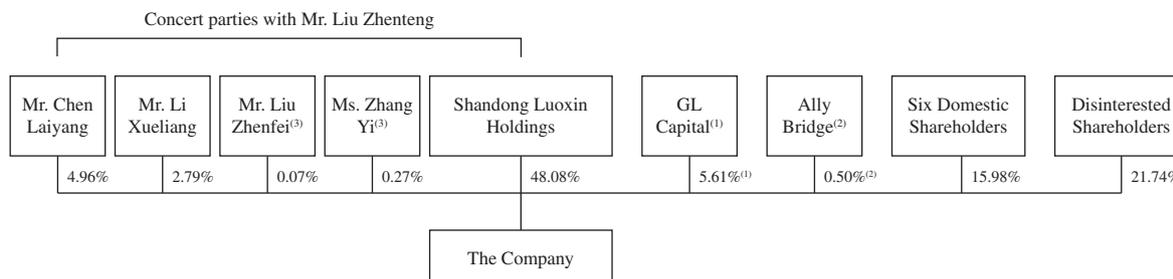
- (1) Held as to 51.73% by Mr. Liu Baoqi, 14.90% by Ms. Li Minghua, 2.00% by Mr. Han Fengsheng, and 21.37% by Mr. Liu Zhenteng, each a Director, and 10.00% by Mr. Zheng Jiabin.
- (2) Mr. Li Xueliang, Mr. Chen Laiyang and Mr. Liu Zhenfei are the directors of Vibrant Grow Limited and are deemed to be acting in concert with Giant Star HK under the Takeovers Code. Mr. Liu Zhenfei is also the brother of Mr. Liu Zhenteng. The H shares held by Mr. Liu Zhenfei are subject to the Offer and Mr. Liu Zhenfei may accept the Offer in accordance with its terms.
- (3) Ms. Zhang Yi is the wife of Mr. Liu Zhenteng and is deemed to be acting in concert with Mr. Liu Zhenteng under the Takeovers Code. The H shares held by Ms. Zhang Yi are subject to the Offer and she may accept the Offer in accordance with its terms.
- (4) 廣州德福股權投資基金合夥企業(有限合夥) (Guangzhou GL Capital Investment Fund L.P.\*) is a limited partnership incorporated in the PRC. The general partner of 廣州德福股權投資基金合夥企業(有限合夥) (Guangzhou GL Capital Investment Fund L.P.\*) is 廣州德福投資諮詢合夥企業(有限合夥) (Guangzhou GL Capital Investment Consulting L.P.\*), the general partner of which is 廣州德福投資管理有限公司 (Guangzhou GL Capital Investment Management Co., Ltd.\*). 廣州德福股權投資基金合夥企業(有限合夥) (Guangzhou GL Capital Investment Fund L.P.\*) is an affiliate of GL Instrument.

- (5) GL Trade Investment Limited is a limited company incorporated in the Cayman Islands, which is held as to 100% by GL China Opportunities Fund L.P. GL Trade Investment Limited is an affiliate of GL Instrument.
- (6) GL Healthcare Investment L.P. is a limited partnership incorporated in Canada. The general partner of GL Healthcare Investment L.P. is GL Capital Management GP II B.C. 2 Ltd. GL Healthcare Investment L.P. is an affiliate of GL Instrument.
- (7) GL China Long Equity Opportunities SPV L.P. is a limited partnership incorporated in Canada. The general partner of GL China Long Equity Opportunities SPV L.P. is GL Capital Management Long Equity Opportunities GP B.C. 1 Ltd.. GL China Long Equity Opportunities SPV L.P. is an affiliate of GL Instrument. The Offer will be extended to the H Shares held by GL China Long Equity Opportunities SPV L.P. which may accept the Offer in accordance with its terms.
- (8) Controlled through an investment management agreement by Ally Bridge LB Management Limited, which is in turn held as to 50% by Mr. Yu Fan and 50% by Dr. Bin Li. Mr. Yu Fan ultimately owns 100% interest in the respective general partners which ultimately manage and operate the two funds which together hold 100% interest in Flagship Lucky Limited which in turn holds 100% interest in Ally Bridge Flagship as at the date of this joint announcement. The Offer will be extended to the H Shares held by Ally Bridge LB Healthcare Master Fund Limited which may accept the Offer in accordance with its terms.
- (9) The percentage figures in the table above are approximate figures which have been rounded to the second decimal place.

On 10 March 2017, each of GL Trade Investment Limited and GL Healthcare Investment L.P. entered into irrevocable undertakings in favour of the Joint Offerors and Giant Star BVI (for itself and on behalf of GL Instrument), pursuant to which each of them has irrevocably agreed and undertaken to the Joint Offerors and Giant Star BVI (for itself and on behalf of GL Instrument) that, among other things, (i) the Offer does not have to be extended to it and even if the Offer is extended to it, it will not accept the Offer; and (ii) it will not offer, sell, give, transfer, pledge, encumber, charge, grant any right over or otherwise dispose of or deal with the H Shares held by it or any interest therein until completion of the Delisting. Such irrevocable undertakings will terminate when the Offer is withdrawn, lapsed or closed.

The simplified shareholding chart of the Company as at the date of this joint announcement and immediately after completion of the Offer (assuming the Offer is fully accepted and the total issued share capital of the Company remains unchanged) is as follows:

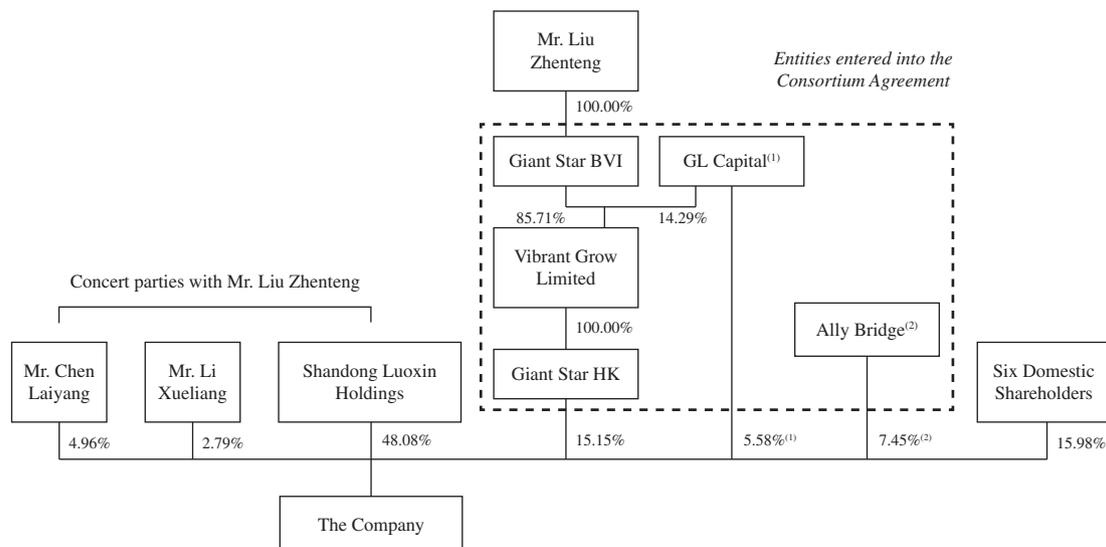
As of the date of this joint announcement:



Notes:

- (1) GL Capital represents (i) 廣州德福股權投資基金合夥企業(有限合夥) (Guangzhou GL Capital Investment Fund L.P.), the general partner of which is 廣州德福投資諮詢合夥企業(有限合夥) (Guangzhou GL Capital Investment Consulting L.P.\*), the general partner of which in turn is 廣州德福投資管理有限公司 (Guangzhou GL Capital Investment Management Co., Ltd.\*), holding 7,280,000 Domestic Shares (representing approximately 1.19% of the total issued Shares); (ii) GL Trade Investment Limited, which is held as to 100% by GL China Opportunities Fund L.P., holding 26,166,000 H Shares (representing approximately 4.29% of the total issued Shares); (iii) GL Healthcare Investment L.P., the general partner of which is GL Capital Management GP II B.C. 2 Ltd. holding 597,373 H Shares (representing approximately 0.10% of the total issued Shares); (iv) GL China Long Equity Opportunities SPV L.P., the general partner of which is GL Capital Management Long Equity Opportunities GP B.C. 1 Ltd., holding 160,627 H Shares (representing approximately 0.03% of the total issued Shares). GL China Long Equity Opportunities SPV L.P. may accept the Offer in accordance with its terms in respect of the 160,627 H Shares held by it.
- (2) Ally Bridge represents Ally Bridge LB Healthcare Master Fund Limited, which is controlled through an investment management agreement by Ally Bridge LB Management Limited, which is in turn held as to 50% by Mr. Yu Fan and 50% by Dr. Bin Li. Ally Bridge LB Healthcare Master Fund Limited may accept the Offer in accordance with its terms in respect of the 3,070,000 H Shares held by it.
- (3) The 412,000 and 1,668,000 H Shares held by Mr. Liu Zhenfei and Ms. Zhang Yi respectively are subject to the Offer and each of them may accept the Offer in accordance with its terms.

Immediately after close of Offer (assuming the Offer is fully accepted):



Notes:

- (1) It means (i) GL Instrument; (ii) 廣州德福股權投資基金合夥企業(有限合夥) (Guangzhou GL Capital Investment Fund L.P.); (iii) GL Trade Investment Limited ; and (iv) GL Healthcare Investment L.P.
- (2) It means Ally Bridge Flagship, one of the Joint Offerors.

Save as disclosed in this joint announcement, as at the date of this joint announcement:

- (a) there is no existing holding of voting rights and rights over Shares which the Joint Offerors own or over which any of them has control or direction;
- (b) there is no existing holding of voting rights and rights over Shares which is owned or controlled or directed by any of the Joint Offerors' concert parties;
- (c) there is no existing holding of voting rights and rights over Shares in respect of which any of the Joint Offerors or any of their concert parties has received an irrevocable commitment to accept the Offer or to vote for or against the Delisting;
- (d) there is no existing holding of voting rights and rights over Shares in respect of which any of the Joint Offerors or any of their concert parties holds convertible securities, warrants or options;
- (e) there is no outstanding derivative in respect of securities in the Company entered into by any of the Joint Offerors or any of their concert parties;
- (f) there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares and which might be material to the Offer and/or the Delisting;

- (g) there is no agreement or arrangement to which any of the Joint Offerors is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a condition to the Offer; and
- (h) there are no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which any of the Joint Offerors or any of their concert parties (other than those with exempt principal trader or exempt fund manager status) has borrowed or lent.

The Joint Offerors and the persons who are parties acting in concert with any of them have not dealt for value in any Shares or any options, warrants, derivatives or securities convertible into Shares during the period beginning six months prior to the date of this joint announcement.

## **6.7 Further terms and general matters relating to the Offer**

### *Hong Kong stamp duty*

Seller's ad valorem stamp duty arising in connection with acceptance of the Offer will be payable by each H Shareholder accepting the Offer at the rate of 0.1% of (i) the market value of the H Shares; or (ii) the consideration payable by the Joint Offerors for such person's H Shares, whichever is higher, and will be deducted from the cash amount due to such H Shareholder under the Offer. The Joint Offerors will pay the buyer's ad valorem stamp duty on their own behalf.

*H Shares will be acquired with all rights attaching thereto and free from all encumbrances*

Any acceptance of the Offer by any H Shareholder will constitute a representation and warranty to the Joint Offerors by such H Shareholder that the H Shares acquired under the Offer and sold by such persons are free from all liens, charges, claims, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching thereto as at the date of this joint announcement or subsequently becoming attached thereto, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date of this joint announcement.

Acceptance of the Offer would be irrevocable and would not be capable of being withdrawn, subject to the provisions of the Takeovers Code.

### *Overseas H Shareholders*

The Joint Offerors intend to make available the Offer to all H Shareholders (other than holders of the H Shares which are owned, controlled or agreed to be acquired by the Joint Offerors and parties acting in concert with any of them who have undertaken not to accept the Offer), including those who are resident outside Hong Kong, to the extent practicable.

**The making of the Offer to the overseas H Shareholders and/or their ability to participate in the Offer may be subject to the laws of the relevant jurisdictions in which they are resident or domiciled. Any acceptance of the Offer by any H Shareholder will be deemed to constitute a representation and warranty from such H Shareholder to the Joint Offerors and the Company that all applicable legal and regulatory requirements to which they may be subject, including obtaining any governmental, exchange control and other consents, filing and registration and other necessary formalities, and the payment of any transfer or other taxes, have been complied with and that the Offer can be extended to and/or accepted by such H Shareholder lawfully under such requirements. It is the responsibility of the overseas H Shareholders wishing to accept the Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith. H Shareholders should consult their professional advisers if in doubt.**

In the event that the despatch of the Composite Document to overseas H Shareholders is prohibited by any relevant law or may only be effected after compliance with conditions or requirements that are unduly burdensome, subject to the Executive's consent, the Composite Document will not be despatched to such overseas Shareholders. The Joint Offerors will apply for such waivers as may be required by the Executive pursuant to Note 3 to Rule 8 of the Takeovers Code at such time.

#### *Closing Date of the Offer*

The Offer will initially be open for acceptances for at least 21 days from the date of the Composite Document. Once all of the conditions under the Offer have been either fulfilled or waived (as applicable), the Offer will be declared unconditional and the Offer will be extended for a subsequent period of at least 28 days before the Offer is closed in order to allow sufficient time for those H Shareholders who have not initially accepted the Offer to accept the Offer or to process the transfer of their H Shares.

If any of the conditions under the Offer is not satisfied or (where applicable) waived on or before the Closing Date, the Offer will lapse unless the offer period is extended by the Joint Offerors.

#### *Composite Document*

It is the intention of the Joint Offerors and the Board to combine the offer document and the offeree board circular into the Composite Document. The Composite Document will contain details of, among other things, the Offer, the expected timetable relating to the Offer, the recommendations of the Independent Committee in respect of the Offer, the letter of advice from the independent financial adviser to the Independent Committee in respect of the Offer, as well as other particulars required by the Takeovers Code, and will be despatched to the H Shareholders within 21 days from the date of this joint announcement or such later date to which the Executive may consent.

## *Meetings*

The H Share Class Meeting will be convened for the purpose of passing a resolution by way of poll to approve the Delisting by the Independent H Shareholders, and such approval must be given by at least 75% of the votes attaching to the H Shares held by the Independent H Shareholders that are cast either in person or by proxy; and the number of votes cast against the resolution is not more than 10% of the votes attaching to all of the H Shares held by the Independent H Shareholders. The Joint Offerors and their respective concert parties are required to abstain from voting at the H Share Class Meeting.

Furthermore, pursuant to Rule 2.2 of the Takeovers Code, the EGM will be convened for the purpose of passing a resolution by way of poll to approve the Delisting by the Independent Shareholders, and such approval must be given by at least 75% of the votes attaching to the Shares held by the Independent Shareholders that are cast either in person or by proxy, and the number of votes cast against the resolution shall be no more than 10% of the votes attaching to all Shares held by the Independent Shareholders. The Joint Offerors and their respective concert parties are required to abstain from voting at the EGM.

Notices of the H Share Class Meeting and the EGM will be sent to the Shareholders together with the Composite Document.

### **6.8 Independent committee of the Board of the Company**

In accordance with Rule 2.1 of the Takeovers Code, an independent committee of the Board has been established to make recommendations as to whether the terms of the Offer are, or are not, fair and reasonable and as to acceptances and whether the Delisting is, or is not, fair and reasonable and as to voting. The Independent Committee comprises all of the independent non-executive Directors, namely, Mr. Foo Tin Chung, Victor, Mr. Fu Hongzheng, Ms. Huang Huiwen and Prof. Du Guanhua, each of whom has no direct or indirect interest in the Offer and the Delisting. Mr. Liu Zhenhai, the non-executive Director, is the nephew of Mr. Liu Baoqi who is the father of Mr. Liu Zhenteng, the ultimate owner of Giant Star HK, one of the Joint Offerors and have a conflict of interest in the Offer and he, therefore, is excluded from the Independent Committee.

An independent financial adviser will be appointed, subject to the approval of the Independent Committee, to advise the Independent Committee as to whether the terms of the Offer are, or are not, fair and reasonable and as to acceptances and whether the Delisting is, or is not, fair and reasonable and as to voting. A separate announcement will be made by the Company as soon as possible after the appointment of the independent financial adviser.

## 7. WITHDRAWAL OF LISTING OF THE H SHARES

**Upon the Offer becoming unconditional, the Company will make an application for the Delisting in accordance with Rule 9.20 of the GEM Listing Rules. The Shareholders will be notified by way of an announcement of the dates for the last day for dealing in the H Shares and on which the Delisting will become effective.**

## 8. RESUMPTION OF TRADING IN THE H SHARES

At the request of the Company, trading in the H Shares on the Stock Exchange has been halted from 9:00 a.m. on 7 March 2017 pending the release of this joint announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the H Shares on the Stock Exchange with effect from 9:00 a.m. on 14 March 2017.

## 9. DISCLOSURE OF DEALINGS

In accordance with Rule 3.8 of the Takeovers Code, associates of the Company or the Joint Offerors (including but not limited to a person who owns or controls 5% or more of any class of relevant securities (as defined in paragraphs (a) to (d) in Note 4 to Rule 22 of the Takeovers Code) of the Company or the Joint Offerors) are hereby reminded to disclose their dealings in any securities of the Company pursuant to the requirements of the Takeovers Code.

The full text of Note 11 of Rule 22 of the Takeovers Code is reproduced below pursuant to Rule 3.8 of the Takeovers Code:

*“Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 of the Takeovers Code and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant provisions of the Takeovers Code. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than HK\$1 million.*

*This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.*

*Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”*

## 10. DEFINITIONS

In this joint announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“acting in concert”	has the meaning given to it in the Takeovers Code, and “parties acting in concert” shall be construed accordingly
“Ally Bridge Flagship”	Ally Bridge Flagship LX (HK) Limited, a company incorporated in Hong Kong with limited liability, being one of the Joint Offerors which is held as to 100% by Flagship Lucky Limited and which is in turn held as to 67% by ABG Fund III and 33% by ABG Fund II as at the date of this joint announcement, both of which are ultimately managed and operated through certain general partners which are ultimately held as to 100% by Mr. Yu Fan
“Ally Bridge Group”	Ally Bridge Flagship and its affiliates
“Board”	the board of directors of the Company
“business day”	a day on which the Stock Exchange is open for transaction of business
“Closing Date”	the date to be stated in the Composite Document as the first closing date of the Offer or any subsequent closing date as may be decided and announced by the Joint Offerors and approved by the Executive
“Company”	山東羅欣藥業集團股份有限公司 (Shandong Luoxin Pharmaceutical Group Stock Co., Ltd.*), a joint stock company incorporated in the PRC with limited liability whose H Shares are listed on the Growth Enterprise Market of the Stock Exchange under stock code 8058
“Composite Document”	the composite offer document to be jointly issued by or on behalf of the Joint Offerors and the Company in connection with the Offer in accordance with the Takeovers Code
“Consortium Agreement”	the consortium agreement dated 7 March 2017 (as supplemented by a supplemental agreement dated 13 March 2017) entered into among the Consortium Investors, Giant Star (HK) and Vibrant Grow Limited for the purpose of governing their respective rights and liabilities in connection with the Offer

“Consortium Investors”	Giant Star BVI, GL Instrument and Ally Bridge Flagship
“controlling shareholder”	has the meaning given to it in the GEM Listing Rules
“Delisting”	the voluntary withdrawal of the listing of the H Shares from the Growth Enterprise Market of the Stock Exchange
“Directors”	the directors of the Company
“Domestic Share(s)”	ordinary share(s) with a par value of RMB0.10 each in the share capital of the Company
“Domestic Shareholder(s)”	holders of the Domestic Shares
“EGM”	the extraordinary general meeting of the Shareholders to be held to consider and vote on, among other matters, the Delisting
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
“Giant Star BVI”	Giant Star Global Limited, a company incorporated in the British Virgin Island with limited liability and wholly-owned by Mr. Liu Zhenteng, the Director, being the sole owner of Vibrant Grow Limited as at the date of this joint announcement
“Giant Star HK”	Giant Star Global (HK) Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by Vibrant Grow Limited, which, in turn, wholly-owned by Giant Star BVI, being one of the Joint Offerors
“GL Capital”	GL Instrument, GL Capital Management GP II B.C 4. Ltd., GL Capital Management Limited and any of its affiliated funds
“GL Instrument”	GL Instrument Investment L.P., a limited partnership registered in Alberta, Canada, being one of the Consortium Investors
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“H Shares”	overseas listed foreign ordinary share(s) in the share capital of the Company with a par value of RMB0.10 each, all of which are listed on the Growth Enterprise Market of the Stock Exchange and traded in HK\$
“H Share Class Meeting”	the extraordinary general meeting of the Independent H Shareholders to be convened, and any adjournment thereof for the purpose of approving the Delisting
“H Shareholder(s)”	holders of the H Shares
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Committee”	the independent committee of the Board, comprising all of the independent non-executive Directors, formed pursuant to Rule 2.1 of the Takeovers Code for the purpose of making recommendations as to whether the terms of the Offer are, or are not, fair and reasonable and as to acceptances and whether the Delisting is, or is not, fair and reasonable and as to voting
“Independent Domestic Shareholders”	Domestic Shareholders other than the Joint Offerors or parties acting in concert with any of them, and in this case, the Six Domestic Shareholders
“Independent H Shareholders”	H Shareholders other than the Joint Offerors or parties acting in concert with any of them
“Independent Shareholders”	Independent Domestic Shareholders and Independent H Shareholders
“Irrevocable Undertakings”	the irrevocable undertakings entered into by each of the holders of the Domestic Shares (including the Six Domestic Shareholders) in favour of the Joint Offerors and Giant Star BVI (for itself and on behalf of GL Instrument) in respect of the Offer and the Delisting
“Joint Offerors”	Giant Star HK and Ally Bridge Flagship
“Last Trading Date”	6 March 2017, being the last full business day for trading in the H Shares on the Stock Exchange immediately before the suspension of trading in the H Shares pending publication of this joint announcement

“Offer”	the voluntary conditional offer to be made by Somerley Capital on behalf of the Joint Offerors to acquire all of the issued H Shares (other than those already owned or controlled or agreed to be acquired by the Joint Offerors and parties acting in concert with any of them who have undertaken not to accept the Offer)
“Pingan Loan Facility”	a loan facility agreement entered into between Giant Star HK as borrower and Ping An Bank Co., Ltd. as lender pursuant to which Ping An Bank Co., Ltd. has granted a Hong Kong dollar loan facility to Giant Star HK for the purpose of the Offer
“PRC”	the People’s Republic of China other than Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“Shandong Luoxin Holdings”	山東羅欣控股有限公司 (Shandong Luoxin Holdings Co., Ltd.*), a company incorporated in the PRC with limited liability and the controlling shareholder of the Company
“Shares”	the Domestic Shares and the H Shares
“Shareholder(s)”	holders of the Shares
“SHK Facility Letter”	a facility letter entered into between, among others, Sun Hung Kai Investment Services Limited, as lender, and Ally Bridge Flagship, as borrower, pursuant to which Sun Hung Kai Investment Services Limited has granted a credit facility to Ally Bridge Flagship for the purpose of the Offer
“Six Domestic Shareholders”	the six Domestic Shareholders who have entered into irrevocable undertakings in favour of the Joint Offerors and Giant Star BVI (for itself and on behalf of GL Instrument) in respect of the Offer and the Delisting
“Somerley Capital”	Somerley Capital Limited, the financial adviser to the Joint Offerors, which is a licensed corporation under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Takeovers Code”

Hong Kong Code on Takeovers and Mergers (as revised from time to time)

*In this joint announcement, unless otherwise stated, the translation of RMB into HK\$ is based on the exchange of rate of RMB0.88 to HK\$1.00. Such conversion shall not be construed as a representation that amounts in RMB were or may have been converted into HK\$ using such exchange rate or any other exchange rate or at all.*

By order of the board of directors of  
**Giant Star Global (HK) Limited**  
**Liu Zhenteng**  
*Director*

By order of the Board of  
**Shandong Luoxin Pharmaceutical  
Group Stock Co., Ltd.\***  
**Han Fengsheng**  
*Executive Director*

By order of the board of directors of  
**Ally Bridge Flagship LX (HK) Limited**  
**Pang Andrew Chee On**  
*Director*

By order of the board of directors of  
**GL Capital Management GP II B.C. 4 Ltd.**  
as the general partner of  
**GL Instrument Investment L.P.**  
**Li Zhenfu**  
*Director*

The PRC, 13 March 2017

*As at the date of this joint announcement, the sole director of Giant Star HK is Mr. Liu Zhenteng.*

*The sole director of Giant Star HK accepts full responsibility for the accuracy of the information (other than that relating to the Group, GL Capital, and Ally Bridge Group) contained in this joint announcement and confirm, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this joint announcement (other than that expressed by the Directors, or the directors or general partners of GL Capital or Ally Bridge Group) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.*

*As at the date of this joint announcement, the general partner of GL Instrument Investment L.P. is GL Capital Management GP II B.C. 4 Ltd. and the sole director of GL Capital Management GP II B.C. 4 Ltd. is Mr. Li Zhenfu.*

*The sole director of GL Capital Management GP II B.C. 4 Ltd. accepts full responsibility for the accuracy of the information in connection with GL Capital contained in this joint announcement and confirm, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this joint announcement by the director or general partner of GL Capital have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.*

*As at the date of this joint announcement, the sole director of Ally Bridge Flagship is Mr. Pang Andrew Chee On.*

*The sole director of Ally Bridge Flagship accepts full responsibility for the accuracy of the information in connection with Ally Bridge Group contained in this joint announcement and confirm, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this joint announcement by the directors or general partners of Ally Bridge Group have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.*

*As at the date of this joint announcement, the Board comprises 10 Directors, of which Mr. Liu Baoqi (劉保起), Ms. Li Minghua (李明華), Mr. Han Fengsheng (韓風生), Mr. Chen Yu (陳雨) and Mr. Liu Zhenteng (劉振騰) are executive Directors; Mr. Liu Zhenhai (劉振海) is a non-executive Director; and Mr. Foo Tin Chung, Victor (傅天忠), Mr. Fu Hongzheng (付宏征), Prof. Du Guanhua (杜冠華) and Ms. Huang Huiwen (黃慧文) are independent non-executive Directors.*

*The Directors jointly and severally accept full responsibility for the accuracy of the information in connection with the Group contained in this joint announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement by the Directors have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.*

*This joint announcement will remain on the “Latest Company Announcements” page of the Growth Enterprise Market website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from its date of publication and on the Company’s designated website at: <http://shandongluoxin.quamir.com>.*

*\* for identification purposes only*