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**China Grand Pharmaceutical and Healthcare Holdings Limited**  
**遠大醫藥健康控股有限公司\***  
(Incorporated in Bermuda with limited liability)  
(Stock Code: 00512)

**MAJOR TRANSACTION IN RELATION TO  
THE PROPOSED ACQUISITION  
INVOLVING THE  
GRANT OF PUT OPTIONS  
AND  
ISSUANCE OF CONVERTIBLE BONDS  
BY THE COMPANY**

**THE PROPOSED ACQUISITION**

The Board is pleased to announce that on 23 June 2014, the Company, GP (a non-wholly owned subsidiary of the Company), CDH, the Seller, the Target Company and the Founder entered into the Purchase and Subscription of Registered Capital Agreement, pursuant to which the Seller has agreed to sell and GP and CDH have each agreed to purchase on the Closing Date the Sale Registered Capital (representing 71.25% of the Registered Capital) at the Sale Consideration of US\$78,750,000, in which GP has agreed to purchase 52.25% of the Registered Capital at a consideration of US\$57,750,000, and CDH has agreed to purchase 19% of the Registered Capital at a consideration of US\$21,000,000, respectively. GP and CDH have further agreed to, on the Closing Date, subscribe for additional Registered Capital at the Subscription Consideration of US\$15,000,000, out of which US\$11,000,000 and US\$4,000,000 shall be payable by GP and CDH to the Target Company, respectively. Upon Closing and completion of the subscription foregoing mentioned, GP, CDH and the Seller shall each hold 55%, 20% and 25% respectively of the Registered Capital.

The Company intends to finance the Proposed Acquisition through internal funding and the proceeds of the Convertible Bonds subscription as further described below.

On 23 June 2014, GP, CDH, the Seller and the Target Company entered into the Exclusivity and Price Adjustment Agreement whereby, among other terms, the parties thereto agreed to provide for a price adjustment mechanism to the Sale Consideration as further described below.

### **CDH PUT OPTION**

On 23 June 2014, an option was granted to CDH pursuant to which CDH has the right at any time during the CDH Put Option Period to require the Company (or its permitted designated entity) to purchase all or a portion of the Registered Capital then held by CDH or its Affiliates at the CDH Put Price.

### **AIM PUT OPTION**

On 23 June 2014, an option was granted to the Seller pursuant to which the Seller has the right at any time during the AIM Put Option Period to require the Company (or its permitted designated entity) to purchase all or a portion of the Registered Capital then held by the Seller or its Affiliates at the AIM Put Price.

### **LISTING RULES IMPLICATIONS**

As the Put Options are exercisable at the discretion of holders of the Put Options and the exercise prices for the Put Options are to be determined, amongst others, with reference to the Final Net Income of the Financial Year immediately preceding the exercise of the Put Options, the grant of the Put Options will be classified as at least a major transaction for the Company pursuant to Rule 14.76(1) of the Listing Rules. Accordingly, the Put Options and the Proposed Acquisitions together with the transactions contemplated thereunder constitute a major transaction for the Company and are subject to the Shareholders' approval at the general meeting.

Given that the Company has obtained a written approval from Outwit, the controlling shareholder holding 1,228,275,094 Shares as at the date hereof (representing approximately 62.60% of the issued Shares), in respect of the Proposed Acquisition, the Put Options, the issue of the Convertible Bonds and transactions contemplated thereunder, the Company has made an application to the Stock Exchange pursuant to Rule 14.44 of the Listing Rules for a waiver from the requirements to convene a general meeting.

### **ISSUANCE OF CONVERTIBLE BONDS**

On 23 June 2014, CDH I and Redstone as CB Subscribers entered into the CDH I-CB Subscription Agreement and RED-CB Subscription Agreement respectively with the Company pursuant to which CDH I and Redstone have conditionally agreed to subscribe for and the Company agreed to issue the Convertible Bonds in an aggregate principal amount of HK\$330,000,000, comprising the CDH I-Convertible Bonds in an aggregate amount of HK\$300,000,000 to CDH I and the RED-Convertible Bonds in an aggregate amount of HK\$30,000,000 to Redstone. All the Convertible Bonds shall mature on the Maturity Date.

Assuming full conversion of the Convertible Bonds at the initial Conversion Price of HK\$1.35 per Share, it will be converted into an aggregate of 244,444,444 Conversion Shares, representing approximately 12.46% of the issued share capital of the Company as at the date of this announcement and approximately 11.08% of the issued share capital of the Company as enlarged by the issuance of the Conversion Shares upon full conversion of the Convertible Bonds. Such Conversion Shares will be allotted and issued by the Company pursuant to the general mandate granted to the Directors at the annual general meeting on 30 May 2014.

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares to be allotted and issued upon exercise of the conversion rights as attached to the Convertible Bonds.

## **GENERAL**

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the Seller, the Founder, CDH, CDH I, the Redstone, the Target Company and their ultimate beneficial owners are each an Independent Third Party to the Company and are not connected with the Company, its subsidiaries or its associates.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholders have any material interest in the Proposed Acquisition, the Put Options and the issue of Convertible Bonds, other than their shareholding interests in their Shares, and accordingly no Shareholders are required to abstain from voting at the general meeting convened for the approval of the foregoing mentioned transactions.

Circulars containing, among others, (i) further details of the Proposed Acquisition, the Put Options and the issue of Convertible Bonds; (ii) financial and other information of the Group; (iii) financial and other information of the Target Company; and (iv) pro forma financial information of the enlarged Group upon Closing will be dispatched to the Shareholders in accordance to the Listing Rules as soon as practicable.

## **PURCHASE AND SUBSCRIPTION OF REGISTERED CAPITAL AGREEMENT**

***Date:*** 23 June 2014

***Parties:***

- (i) GP (a non-wholly owned subsidiary of the Company)
- (ii) Company (as GP's guarantor)
- (iii) CDH
- (iv) Seller
- (v) Target Company
- (vi) Founder

### **Registered Capital to be acquired**

Pursuant to the Purchase and Subscription of Registered Capital Agreement, the Seller has agreed to sell and GP and CDH have each agreed to purchase on the Closing Date the Sale Registered Capital (representing 71.25% of the Registered Capital) at the Sale Consideration of US\$78,750,000, in which GP has agreed to purchase 52.25% of the Sale Registered Capital at a consideration of US\$57,750,000, and CDH has agreed to purchase 19% of the Sale Registered Capital at a consideration of US\$21,000,000, respectively. GP and CDH have further agreed to, on the Closing Date, subscribe for additional Registered Capital at the Subscription Consideration of US\$15,000,000, out of which US\$11,000,000 and US\$4,000,000 shall be payable by GP and CDH to the Target Company, respectively.

Upon Closing and completion of the subscription foregoing mentioned, GP, CDH and the Seller shall each hold 55%, 20% and 25% respectively of the Registered Capital as follows:-

Parties	Registered Capital held in Target Company (%)		
	As at the date of announcement	Completion of Sale Registered Capital	Completion of Subscription of Registered Capital
<b>GP</b>	0	52.25	55
<b>CDH</b>	0	19	20
<b>Seller</b>	100	28.75	25

The Subscription Consideration shall be used for application of licenses relating to the use of land and factory (the “**Specified Uses**”) and general working capital purposes and in the event that the Subscription Consideration, the internal resources of the Target Company or further financing obtained by the Target Company would be insufficient to cover the Specified Uses, the Registered Capital Holders may contribute any outstanding balance by way of subscription of further Registered Capital.

### Consideration

The consideration set out in the Purchase and Subscription of Registered Capital Agreement comprises the Sale Consideration and the Subscription Consideration (the “**Consideration**”):

#### *Sale Consideration*

The Sale Consideration is US\$78,750,000, out of which US\$57,750,000 and US\$21,000,000 shall be payable by GP and CDH, respectively to the Seller in the following manner:-

Installment Phase	Timing for payment	Amount (US\$)*	
		GP	CDH
1	15 Business Days after completion of the registration for Registered Capital Transfer with the Administration for Industry and Commerce	25,575,000	9,300,000
2	15 Business Days after the deregistration of LWK (Lao Wei Kang 老卫康)	7,333,333	2,666,667
3	15 Business Days after the later of (i) 6 months after the issue of the Audit Report for the Financial Year ending 31 December 2013; and (ii) 3 months after the Closing	4,675,000	1,700,000
4	15 Business Days after (i) the 12 <sup>th</sup> month anniversary of the Winding-Up Order if at such time there is no outstanding third party claims or injunctive measures arising out of the ownership of the tangible or intangible assets transferred from LWK (Lao Wei Kang 老卫康) or the Founder to the Target Company (whether with consideration or not) filed in any PRC courts, arbitration institutions or administrative authorities, or (ii) if at the 12 <sup>th</sup> month anniversary of the Winding-Up Order, there is such outstanding third party claims or injunctive measures, the date of the written notice from the Seller to GP and CDH stating that any such claims or injunctive measures have been refused and/or rejected.	3,666,667	1,333,333

5	15 Business Days after (i) the 18 <sup>th</sup> month anniversary of the Winding-Up Order if at such time there is no outstanding third party claims or injunctive measures arising out of the ownership of the tangible or intangible assets transferred from LWK (Lao Wei Kang 老卫康) or the Founder to the Target Company (whether with consideration or not) filed in any PRC courts, arbitration institutions or administrative authorities, or (ii) if at the 18 <sup>th</sup> month anniversary of the Winding-Up Order, there is such outstanding third party claims or injunctive measures, the date of the written notice from the Seller to GP and CDH stating that any such claims or injunctive measures have been refused and/or rejected.	3,666,667	1,333,333
6	15 Business Days after (i) the 24 <sup>th</sup> month anniversary of the Winding-Up Order if at such time there is no outstanding third party claims or injunctive measures arising out of the ownership of the tangible or intangible assets transferred from LWK (Lao Wei Kang 老卫康) or the Founder to the Target Company (whether with consideration or not) filed in any PRC courts, arbitration institutions or administrative authorities, or (ii) if at the 24 <sup>th</sup> month anniversary of the Winding-Up Order, there is such outstanding third party claims or injunctive measures, the date of the written notice from the Seller to GP and CDH stating that any such claims or injunctive measures have been refused and/or rejected.	7,333,333	2,666,667
7	15 Business Days after the issue of the Audit Report for the Financial Year ending 31 December 2014 conditional upon (i) the revenue of the Target Company for that Financial Year being no less than RMB 235,000,000; and (ii) the Founder is, directly or indirectly, holding no less than US\$51,750 of the then registered capital (representing 15% of the enlarged registered capital) of the Target Company	1,833,333	666,667
8	15 Business Days after the issue of the Audit Report for the Financial Year ending 31 December 2015 conditional upon (i) the revenue of the Target Company for that Financial Year being no less than RMB 285,000,000; and (ii) the Founder is, directly or indirectly, holding no less than US\$51,750 of the then registered capital (representing 15% of the enlarged registered capital) of the Target Company	1,833,333	666,667
9	15 Business Days after the issue of the Audit Report for the Financial Year ending 31 December 2016 conditional upon (i) the revenue of the Target Company for that Financial Year being no less than RMB 326,000,000; and (ii) the Founder is, directly or indirectly, holding no less than US\$51,750 of the then registered capital (representing 15% of the enlarged registered capital) of the Target Company	1,833,334	666,666
<b>Total:</b>		<b>57,750,000</b>	<b>21,000,000</b>

The payment obligations on the part of GP and CDH with respect to any of the installment phases 2 to 9 shall not be triggered notwithstanding the fulfillment or completion of the relevant event(s) (with respect to installment phases 2 to 9) until the installment phase 1 has been paid by GP and CDH to the effect that any such payment(s) shall only be made by GP and CDH at the same time when the installment phase 1 is paid.

#### *Subscription Consideration*

The Subscription Consideration is US\$15,000,000, out of which US\$11,000,000 and US\$4,000,000 shall be payable by GP and CDH, respectively to the Target Company at the same time when the installment phase 1 is paid to the Seller.

#### **Basis of the Consideration**

The Consideration was arrived at based on normal commercial terms and after arm's length negotiations between GP, the Company, CDH, the Seller, the Target Company and the Founder with reference to the materials disclosed by the management of the Target Company including the financial statements as at 31 December 2013 of the Target Company, IP Rights and the technical skills and results from the research and development owned by the Target Company, prospects of the Target Company and the other factors set out in the paragraph headed "Reasons for the Proposed Acquisition" in this announcement. Based on the factors mentioned above and, in particular, the financial statements of the Target Company and the mechanism for adjustment to the Consideration as set out in the paragraph headed "Adjustment to the Consideration" in this announcement, the Consideration payable by GP is considered by the Board as fair and reasonable and in the interests of the Group and the Shareholders as a whole.

#### **Adjustment to the Consideration**

On 23 June 2014, GP, CDH, the Seller and the Target Company entered into the Exclusivity and Price Adjustment Agreement whereby, among other terms, the parties thereto agreed to provide for a price adjustment mechanism whereby the Sale Consideration shall be adjusted in the following manner in the event that the Relative Indicative Percentage:

- (a) equals to or is greater than 90%, no adjustment will be made to the Sale Consideration;
- (b) equals to or is greater than 70% but less than 90%, the Sale Consideration shall be adjusted by multiplying the Relative Indicated Percentage, provided that in this case the Seller shall be entitled to terminate the Purchase and Subscription of Registered Capital Agreement without liabilities; or
- (c) less than 70%, whereby either the Seller or GP shall be entitled to terminate the Purchase and Subscription of Registered Capital Agreement without liabilities.

In the event that there will be any adjustment to the Sale Consideration, the parties to the Exclusivity and Price Adjustment Agreement agreed to execute supplemental or new agreement in connection therewith and the supplemental or new agreement will be submitted to the PRC relevant authorities for registration and/or approvals.

#### **Other Terms of the Exclusivity and Price Adjustment Agreement**

Pursuant to the Exclusivity and Price Adjustment Agreement, the Seller agreed to grant the Company and CDH exclusivity to negotiate the purchase and subscription of Registered Capital as contemplated under the Purchase and Subscription of Registered Capital

Agreement below for a period commencing on the date of the Exclusivity and Price Adjustment Agreement and ending on the earlier of (i) the Closing Date; or (ii) the date of termination of the Purchase and Subscription of Registered Capital Agreement, provided that the exclusivity period will terminate on the seventh day after the date of the Exclusivity and Price Adjustment Agreement if, by such time, (x) the Purchase and Subscription of Registered Capital Agreement is not signed; or (y) the Company has not made its announcement regarding the Proposed Acquisition, the Put Options and the issuance of Convertible Bonds in accordance to the Listing Rules, the non-defaulting party may terminate the Exclusivity and Price Adjustment Agreement and seek for liquidated damages in the amount of RMB10,000,000.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, CDH, the Seller, the Target Company and their ultimate beneficial owners are each an Independent Third Party to the Company and are not connected with the Company, its subsidiaries or its associates.

### **Conditions Precedent to the Purchase and Subscription of Registered Capital Agreement**

Closing of the Purchase and Subscription of Registered Capital Agreement is conditional upon fulfillment of customary conditions precedent, including the approval of relevant PRC authorities, the absence of certain specific material adverse changes, and no change in the ownership of the Registered Capital. In addition, the Closing is conditional upon completion of transfer of certain core IP Rights from the Seller to the Target Company.

### **Board Composition of Target Company**

The board of directors of the Target Company (the “**Target Board**”) shall compose of 5 directors: one (1) nominated by the Seller, three (3) nominated by GP, and one (1) nominated by CDH. Chairman, which shall also be the legal representative, shall be nominated by the Target Board. If the Seller shall nominate the Founder as a director, the Founder shall be designated as the Honorary Chairwoman of the Target Board. Supervisor, general manager, financial controller and human resources manager of the Target Company shall all be nominated by GP.

### **Guarantee**

The Company has unconditionally guaranteed in favour of the Seller the due performance by GP of its payment obligations under the Purchase and Subscription of Registered Capital Agreement.

### **Liability for Breach**

Notwithstanding any contrary provisions in the Purchase and Subscription of Registered Capital Agreement:

- (a) The Founder covenants to assume joint and several liability towards the indemnification obligations of the Seller under the Purchase and Subscription of Registered Capital Agreement.
- (b) The indemnification obligations of the Seller and the Founder under the Purchase and Subscription of Registered Capital Agreement is subject to the maximum amounts capped as follows:

- (i) US\$25,000,000 for the period before 30 days after the Audit Report for the Financial Year of 2016 is issued;
  - (ii) US\$5,000,000 (or, if any indemnification has been previously paid, US\$5,000,000 less the amount so paid) for the period after that set out in (i) above until listing of the Target Company or fifteenth anniversary of the Closing Date, whichever is the earlier; and
  - (iii) the Seller and the Founder shall bear no indemnification liability after the listing of the Target Company or the fifteenth anniversary of the Closing Date, whichever is the earlier.
- (c) The Seller and the Founder shall be liable to indemnify such portion of loss caused to GP and CDH exceeding the amount of US\$1,000,000. For the avoidance of doubt, the Seller and the Founder shall not be liable to indemnify GP and CDH if the loss is for an amount of less than US\$1,000,000.
- (d) Loss caused by the Seller and the Founder to GP and CDH shall be the sum of the following items of loss multiplied by the then-effective Registered Capital percentage of GP and CDH (in case of overlap of loss between different items, the overlapped amount of loss shall not be duplicated in the calculation): (i) direct loss caused to the Target Company arising from any breach by the Seller and the Founder of any warranty, representation or undertaking under the Purchase and Subscription of Registered Capital Agreement, and (ii) if the Target Company, due to any breach by the Seller and the Founder of any warranty, representation or undertaking under the Purchase and Subscription of Registered Capital Agreement, is compelled to cease manufacturing and sales, loss of GP and CDH shall include the sum of profits lost and fixed costs during the period of cessation of manufacturing and sales (calculated on the basis of daily profits and fixed costs of the previous year).

## **Termination**

The Purchase and Subscription of Registered Capital Agreement may be terminated in the following situations:

- (a) by the Seller if the Special Audit Report has not been issued within 30 Business Days after the signing of the Purchase and Subscription of Registered Capital Agreement;
- (b) by mutual consent of the parties thereto; and
- (c) by any party thereto if the conditions precedent have not been satisfied by 31 March 2015 save where the act of the party seeking to terminate has led or contributed to the failure to the satisfaction of any of the conditions precedent.

## **CDH PUT OPTION DEED**

### **Principal Terms**

*Date:* 23 June 2014

*Parties:* (i) Company

(ii) CDH

## **CDH Put Option**

CDH shall have the right to, at any time after the Closing and prior to thirty (30) days after receipt by CDH of the Annual Audited Financial Statements for the Financial Year ending 31 December 2018 (the “**CDH Put Option Period**”), require the Company (or its permitted designated entity) to purchase all or a portion of the Registered Capital then directly or indirectly held by CDH or its Affiliates (the “**CDH Put Option**”). The CDH Put Option may be exercised up to two (2) times during the CDH Put Option Period. The price for each exercise of the CDH Put Option shall be (the “**CDH Put Price**”) in cash equal to the higher of (i) the product of (x) 13.5, (y) the Final Net Income of the Financial Year immediately preceding the date of the notice delivered by CDH to exercise the CDH Put Option (the “**CDH Put Option Notice**”), expressed in US\$ at the exchange rate as of the date of the applicable CDH Put Option Notice, and (z) a fraction, the numerator of which is the Registered Capital to be sold as stated in the applicable CDH Put Option Notice (“**CDH Put Equity**”) and the denominator of which is the total amount of the Registered Capital as of the date of the applicable CDH Put Option Notice; and (ii) the sum of (x) the aggregate amounts payable by CDH and/or its Affiliates to the Target Company, the Founder and any of their respective Affiliates pursuant to the Purchase and Subscription of Registered Capital Agreement multiplies a fraction, the numerator of which is the CDH Put Equity as stated in the applicable CDH Put Option Notice and the denominator of which is the total amount of the Registered Capital held by CDH and/or its Affiliates as of the date of the applicable Put Option Notice, and (y) a return at an eleven percentage (11%) internal rate of return per annum generated on the basis of the total amount of (x) above from and including the Closing Date and up to and including the date which is the fifth business day following CDH’s delivery of the Put Option Notice, or such other dates as may be mutually agreed in writing by the Company and CDH, expressed in US\$ at the exchange rate as of the date of the applicable CDH Put Option Notice.

For the consummation of the CDH Put Option, (i) CDH shall ensure that the CDH Put Equity is held by a Hong Kong company (the “**CDH Put Hong Kong Holdco**”) and that all of the issued and outstanding shares in the CDH Put Hong Kong Holdco is held by a BVI company (the “**CDH Put BVI Holdco**”), and (ii) the Company (or its permitted designated entity) shall purchase such number of the issued and outstanding shares in the CDH Put BVI Holdco which shall be equal to the product of (x) the total number of the issued and outstanding shares in the CDH Put BVI Holdco, and (y) a fraction, the numerator of which is the CDH Put Equity as stated in the applicable CDH Put Option Notice and the denominator of which is the total amount of the Registered Capital held by the CDH and/or its Affiliates in the Target Company as of the date of the applicable CDH Put Option Notice.

The CDH Put Option shall terminate upon the valid termination of the Purchase and Subscription of Registered Capital Agreement prior to the Closing.

## **AIM PUT OPTION DEED**

### **Principal Terms**

- Date:* 23 June 2014
- Parties:* (i) Company
- (ii) Seller

## **AIM Put Option**

The Seller shall have the right to, at any time after the Closing and prior to thirty (30) days after receipt by the Seller of the Annual Audited Financial Statements for the Financial Year ending 31 December 2016 (the “**AIM Put Option Period**”), require the Company (or its permitted designated entity) to purchase all or a portion of the Registered Capital then held by Seller or its Affiliates (the “**AIM Put Option**”) at a price (the “**AIM Put Price**”) in cash equal to the product of (x) 13.5, (y) the Final Net Income of the Financial Year immediately preceding the date of the delivery of the notice to exercise the AIM Put Option (the “**AIM Put Option Notice**”), expressed in US\$ at the exchange rate as of the date of the applicable AIM Put Option Notice and (z) a fraction, the numerator of which is the Registered Capital to be sold in connection with the AIM Put Option and the denominator of which is the total amount of the Registered Capital immediately prior to the Closing. The AIM Put Option may be exercised up to two (2) times during the AIM Put Option Period.

For the consummation of the AIM Put Option, (i) the Seller shall undertake a restructuring (the “**AIM Put Restructuring**”) such that, unless the Seller and the Company otherwise agree, the amount of Registered Capital to be sold in connection with the AIM Put Option is held by a newly formed Hong Kong company (or, with the Company’s approval, an existing Hong Kong shell company from a reputable vendor) (the “**AIM Put Hong Kong Holdco**”) and that all of the issued and outstanding shares in the AIM Put Hong Kong Holdco is held by a newly formed Cayman Islands company (or, with the Company’s approval, an existing Cayman Islands shell company from a reputable vendor) (the “**AIM Put Cayman Islands Holdco**”), and (ii) the Company (or its permitted designated entity) shall purchase all of the issued and outstanding shares in the AIM Put Cayman Islands Holdco. In the event that the requisite PRC approvals have not been obtained for the consummation of the AIM Put Restructuring on the two-month anniversary of the AIM Put Option Notice, the Seller and the Company shall discuss in good faith and promptly implement alternative transaction structure to effect the AIM Put Option without such approvals.

The AIM Put Option shall terminate upon the valid termination of the Purchase and Subscription of Registered Capital Agreement prior to the Closing.

## **THE ISSUANCE OF THE CONVERTIBLE BONDS**

### **The CB Subscription Agreements**

The Company will issue and the CB Subscribers shall subscribe for the Convertible Bonds pursuant to the respective CB Subscription Agreement.

Subject to the fulfillment, or the CB Subscribers’ waiver, of the conditions precedents of the Convertible Bonds as set out below, the CB Subscribers have agreed to subscribe for the Convertible Bonds in the aggregate amount of HK\$330,000,000, comprising the CDH I-Convertible Bonds in the aggregate of HK\$300,000,000 and the RED-Convertible Bonds in the aggregate of HK\$30,000,000.

### **Common Conditions Precedent to the CB Subscription Agreements**

Closing of each of the CB Subscription Agreements is conditional upon, among others:

- (a) the representations and warranties made by the Company in the relevant CB Subscription Agreement shall be true and correct and complete when made, and shall be true, correct and complete in all respects and not misleading in any material respect as of the CB Closing Date with the same force and effect as if they had been made on and as of such date;

- (b) the Company shall have performed and completed with, in all respects, all agreements, obligations and conditions contained in the relevant CB Subscription Agreement that are required to be performed or complied with by it on or before the CB Closing Date and shall have obtained all approvals, consents and qualifications specified in the relevant CB Subscription Agreement necessary to complete the transactions contemplated thereby at the CB Closing;
- (c) the applicable Board approval and all corporate and other proceedings in connection with the transactions contemplated thereby and all documents and instruments incidental to such transactions shall be satisfactory in substance and form to the respective CB Subscriber, and the respective CB Subscriber shall have received all such counterpart originals or certified or other copies of such documents as it may reasonably request;
- (d) on or prior to the CB Closing Date, the Company shall have delivered to the respective CB Subscriber a counterpart of the relevant CB Subscription Agreement and each of the other CB Transaction Document to which it is a party, duly executed by the Company and all other parties thereto (except for the relevant CB Subscriber);
- (e) the Company shall have obtained, on or before the CB Closing Date, any and all approvals, consents and waivers necessary for consummation of the transactions contemplated by the relevant CB Subscription Agreement and the other CB Transaction Documents, including but not limited to (i) the approval from the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares; (ii) the approval from the Shareholders at its general meeting held on 30 May 2014 for the grant of a general mandate to allot and issue Shares not having been revoked as at the date of the relevant CB Subscription Agreement; and (iii) all other necessary permits, consents and waivers of any governmental authority, regulatory body, or other third parties, if applicable;
- (f) there shall have been no material adverse change in the operations, properties, conditions (financial or otherwise) or prospect of the Group Companies, taken as a whole; and
- (g) each of the CB Subscribers shall have completed, to its satisfaction, its business, legal, financial due diligence investigation of the Group Companies.

#### **Condition Precedent specific to the CDH I-CB Subscription Agreement**

In addition, Closing of the CDH I-CB Subscription Agreement is subject to evidence that the person nominated by CDH I pursuant to the CDH I-CB Subscription Agreement shall have been duly elected and appointed to the Board as a non-executive Director.

The Company shall use its reasonable endeavors to procure the fulfillment of all the conditions above as soon as possible after the date of the relevant CB Subscription Agreements.

#### **CB Closing**

Closing of each of the CB Subscription Agreements shall take place in Hong Kong on the fifteenth Business Day following the date of fulfillment of the conditions precedent set out in the relevant CB Subscription Agreement last in time to be fulfilled or waived being fulfilled or waived or at such other time and place as the Company and the CB Subscribers may mutually agree upon.

## **CB Termination**

The respective Subscription Agreement may be terminated by any of the parties thereto on or after 20 September 2014 by written notice to the other parties, if CB Closing has not occurred on or prior to such date.

## **Common Principal Terms of the Bond Instrument**

**Maturity** Unless previously redeemed, converted, purchased and cancelled, the Company will redeem each Convertible Bond at its principal amount with accrued and unpaid interest thereon on the Maturity Date.

**Interest Rate** 3% per annum calculated by reference to the outstanding principal amount thereof and payable in HK dollars annually in arrears on 31 December in each year commencing from 31 December 2014.

Each Convertible Bond will cease to bear interest (i) where the conversion right attached to the Convertible Bonds have been exercised by the holder of the Convertible Bonds, from and including the relevant date when the holder of the Convertible Bonds is registered as a Shareholder in the register of members of the Company in respect of the Convertible Bonds as converted; or (ii) where such Convertible Bonds are redeemed, from the due date for redemption or repayment thereof unless, upon due presentation, payment of the full amount due is improperly withheld or refused or default is otherwise made in respect of any such payment.

**Additional Interest** The Company will be obliged to pay additional interest in the event the Company approves the payment of final dividend for any Financial Year. Under such circumstances, the Company shall elect either (i) to pay the additional interest being the difference between the interest it would have been liable to pay the holders of the Convertible Bonds had the holders of the Convertible Bonds converted and received the dividend, less the interest payable in respect of the outstanding Convertible Bonds; or (ii) to adjust downwards the Conversion Price of the Convertible Bonds based on the applicable adjustment formula.

**Default Interest** If the Company fails to pay any sum in respect of the Convertible Bonds when the same becomes due and payable under the terms and conditions of the Convertible Bonds, interest shall accrue on the overdue sum at the aggregate of 3% plus the default rate of 10% p.a. from the due date and ending on the date on which full payment is made to the holder of the Convertible Bonds.

If the Company defaults in the payment of principal, premium, interest or any other amount due in respect of the Convertible Bonds on its due date, or to deliver Shares upon conversion of the Convertible Bonds, the holders of the Convertible Bonds may declare an event of default and require the Company to

early redeem the outstanding Convertible Bonds at such early redemption amount representing an internal rate of return of 10% p.a.

Conversion Price	The initial Conversion Price of the Convertible Bonds is HK\$1.35 per Share. The Conversion Price will be subject to (amongst other things): (a) customary anti-dilution adjustment for, among other things, consolidation, subdivision or reclassification of Shares, capitalisation of profits or reserves, capital distributions, rights issues of shares or options over shares, rights issues of other securities and other dilutive events; and (b) adjustment in lieu of payment of additional interest referred to the paragraph headed “Additional Interest” above.
Conversion Shares	Conversion Shares will be allotted and issued by the Company pursuant to the general mandate granted to the Directors at the annual general meeting of the Company on 30 May 2014.
Listing of Conversion Shares	The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.
Conversion Period	<p>The Convertible Bonds may be converted into Shares at any time on or after Issue Date up to the close of business on the Maturity Date, or if notice requiring redemption has been given by the CB Holder on or after the Issue Date, then up to the close of business on the day prior to the giving of such notice.</p> <p>If: (i) the Company defaults in making payment in full in respect of any Convertible Bond which shall have been called or put for redemption on the date fixed for redemption thereof; (ii) any Convertible Bond has become due and payable prior to the Maturity Date by reason of the occurrence of any of the events of default; or (iii) any Convertible Bond is not redeemed on the Maturity Date or such applicable date for redemption, the conversion right attaching to such Convertible Bond will revive and/or will continue to be exercisable up to, and including, the close of business on the date upon which the full amount of the moneys payable in respect of such Convertible Bond has been duly received by the holder of the Convertible Bond.</p>
Redemption	When the Shares cease to be listed or admitted to trading on the Stock Exchange, or when there is a Change of Control (together, the “ <b>Early Redemption Events</b> ”), the holder of each Convertible Bond will have the right, at such holder’s option, to require, by giving notice to the Company, the Company to redeem in whole or in part of that holder’s Convertible Bonds at the principal amount together with interest accrued to the date falling three (3) months from the date of the redemption notice.
Status	The Convertible Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Company and shall at all times rank pari passu and without any preference or priority among themselves. The payment obligations of the

Company under the Convertible Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable laws, at all times rank at least equally with all of the Company's other present and future unsecured and unsubordinated obligations.

Transfer

The Convertible Bonds are transferable subject to the requirements of minimum transfer amounts and prior consent of the Company if the transfer is not to a bank, financial institution or other financiers for financing purposes of the CB Holder (provided that such consent shall not be unreasonably withheld or delayed and shall be deemed to have been given unless the Company has expressly refused such consent within five (5) Business Days of CDH I's request), pursuant to the terms and conditions set out therein, and no transfer of a Bond will be valid unless and until entered on the register of the Convertible Bonds.

Events of Default

After the occurrence of an event of default as specified in the terms and conditions of the Convertible Bonds, any holder of the Convertible Bonds may give notice to the Company that the Convertible Bonds are immediately due and payable together with accrued interest (if any).

Undertakings

The Company undertakes and warrants, inter alia, that so long as there are any Convertible Bonds outstanding, save with the prior written consent of the holders of the Convertible Bonds, it shall (and, where applicable, shall procure that its Subsidiaries shall) among others:

- (a) maintain a listing of all the issued Shares (including the Conversion Shares) on the Stock Exchange;
- (b) not in any way modify the rights attaching to the Shares with respect to voting, dividends or liquidation and not issue any other class of ordinary share capital carrying any rights which are more favourable than the rights attaching to the Shares;
- (c) reserve, free from any pre-emptive or other similar rights, out of its authorised but unissued ordinary share capital, the full number of Shares liable to be issued on conversion of the Convertible Bonds from time to time remain outstanding and will ensure that all Shares delivered on conversion of the Convertible Bonds will be duly and validly issued as fully-paid.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, none of the CB Subscribers nor its ultimate beneficial owners is a connected person of the Company or a third party connected with any of the connected persons (as defined in the Listing Rules) of the Company.

The consideration for the subscription of the Convertible Bonds and the terms and conditions set out in the CB Subscription Agreements were determined after arm's length negotiation between the Company and the CB Subscribers after taking into account a number of factors, including but not limited to (i) the prevailing market price of the Shares; (ii) the fund requirement for the Proposed Acquisition; and (iii) the current financial position of the Group.

### **Terms specific to CDH I-CB Subscription Agreement**

Principal Amount	HK\$300,000,000 in the denomination of HK\$10,000,000 each and in integral multiples of HK\$10,000,000
Subscription Price	HK\$300,000,000
Conversion	<p>Subject to certain restrictions as set out in the Bond Instrument, the CB Holders have the right to convert all or part of the Convertible Bonds (if in part, the principal amount of Convertible Bonds to be converted shall be in the minimum amount of HK\$30,000,000 and integral multiples of HK\$10,000,000 or the whole outstanding principal amount of the Convertible Bonds) into Shares at any time during the relevant Conversion Period at the then prevailing Conversion Price.</p> <p>Subject to and upon compliance with the provisions of the conditions of the Convertible Bonds, the Conversion Right attaching to any Convertible Bonds may be exercised, at the option of the CB Holder, at any time on or after the Issue Date up to the close of business on the Maturity Date or, if notice requiring redemption has been given by the CB Holder of such Convertible Bonds, then up to the close of business on the day prior to the giving of such notice.</p>
Nomination of Director	So long as any principal amount of the Convertible Bonds remains outstanding, CDH I shall have the right to nominate, remove and replace (as applicable) one person as a non-executive Director (including his/her alternate).

### **Terms specific to RED-CB Subscription Agreement**

Principal Amount	HK\$30,000,000 in the denomination of HK\$1,000,000 each and in multiples of HK\$1,000,000
Subscription Price	HK\$30,000,000
Conversion	<p>Subject to certain restrictions as set out in the Bond Instrument, the CB Holders have the right to convert all or part of the Convertible Bonds (if in part, the principal amount of Convertible Bonds to be converted shall be in the minimum amount of HK\$3,000,000 and integral multiples of HK\$1,000,000 or the whole outstanding principal amount of the Convertible Bonds) into Shares at any time during the relevant conversion period at the then prevailing Conversion Price.</p> <p>Subject to and upon compliance with the provisions of the conditions of the Convertible Bonds, the Conversion Right attaching to any Convertible Bonds may be exercised, at the option of the CB Holder, at any time on or after the Issue Date up to the close of business on the Maturity Date or, if notice</p>

requiring redemption has been given by the CB Holder of such Convertible Bonds, then up to the close of business on the day prior to the giving of such notice.

## REASON FOR ISSUE OF THE CONVERTIBLE BONDS AND THE USE OF PROCEEDS

The net proceeds from the CB Subscription, after deduction of expenses, are approximately HK\$327 million which will be used to finance the Proposed Acquisition. The Board considers that the CB Subscription is the most practicable way of raising funds. The CB Subscription also signifies the confidence of CB Subscribers in the potential of the Company and demonstrates their willingness to support the Company.

## FUND-RAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company has not raised any fund by issuing of equity securities during the 12 months immediately preceding the date of this announcement.

## EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The table below summarises the shareholding structure of the Company (i) as at the date of this announcement; and (ii) assuming full conversion of the Convertible Bonds at the initial Conversion Price (assuming that there is no further changes to the issued share capital of the Company):

Name of Shareholder	As at the date of this announcement		Immediately after the full conversion of the Convertible Bonds at the initial Conversion Price	
	<i>Approximate % of the issued share capital of the</i>		<i>Approximate % of the issued share capital of the</i>	
	<i>No. of Shares</i>	<i>Company</i>	<i>No. of Shares</i>	<i>Company</i>
Outwit Investments Limited	1,228,275,094	62.60%	1,228,275,094	55.67%
Mr. Hu Kaijun <sup>(Note 1)</sup>	1,228,275,094	62.60%	1,228,275,094	55.67%
CDH I	0	0%	222,222,222	10.07%
Redstone	0	0%	22,222,222	1.01%
Public	733,765,794	37.40%	733,765,794	33.25%
Total	<u>1,962,040,888</u>	<u>100%</u>	<u>2,206,485,332</u>	<u>100%</u>

Note 1: These shares are held by Outwit Investments Limited, the entire issued share capital of which is wholly owned by Mr Hu Kaijun.

## **FINANCIAL INFORMATION OF THE TARGET COMPANY**

Financial information of the Target Company for the two years ended 31 December 2012 and 2013 in accordance with the PRC generally acceptable accounting principles and practices were as follows:

<b>Target Company</b>	<b>For the year ended 31 December</b>	
	<b>2012</b> (audited) RMB'000	<b>2013</b> (audited) RMB'000
Net Profit before taxation	65,613	67,745
Net Profit after taxation	48,788	59,185

The audited net asset value of the Target Company as at 31 December 2013 was approximately RMB68.0 million.

## **INFORMATION OF THE SELLER AND THE TARGET COMPANY**

The Seller is an investment holding vehicle holding 100% of the Registered Capital of the Target Company.

The Target Company is a leading contact lenses and solutions manufacturer in PRC. The Target Company has a strong portfolio of traditional annual, semi-annual and monthly lenses and solutions, and also offers high value-added product categories including specially designed lenses and limited edition cosmetic lens.

## **INFORMATION OF THE CB SUBSCRIBERS**

Both CDH and CDH I are special purpose vehicles managed under the brand of CDH Investments. CDH Investments established in 2002, is one of the largest alternative asset management institutions in China with assets under management exceeding USD14 billion as of 31 December 2013.

In the past 10 years, CDH Investments has grown to include seven business units: Private Equity, Venture Capital, Real Estate, Mezzanine & Credit, Hedge Fund, Industrial Property and Private Wealth Management. CDH has offices in Hong Kong, Singapore, Beijing, Shanghai, Shenzhen, Jakarta and Ho Chi Minh City.

Redstone is an emerging alternative fund manager deeply rooted in PRC.

## **INFORMATION OF THE COMPANY AND THE GROUP**

The Group is mainly engaged in research and development, manufacturing and sales of pharmaceutical preparations, pharmaceutical intermediates, specialised pharmaceutical raw materials and healthcare products. The core products of pharmaceutical preparations include cerebro-cardiovascular medicines, ENT products such as ophthalmic medicines, medicines for anti-bacterial and antibiotics, antipyretic and analgesic, etc. The major products of pharmaceutical intermediates and specialised raw materials include steroid hormones, amino acids and anti-bacterial and antibiotics products, etc., and healthcare core products include taurine, etc.

Specific to the eye-care market, the Company, through its subsidiary Hubei Grand Everyday Bright Eyes Company Limited, a company incorporated under the laws of PRC, is a manufacturer of ophthalmic gel and eye drops in the PRC. The eye-care products are considered by the Directors as a business with good prospect and are highly complementary to the contact lens and solutions products of the Target Company.

## **REASONS FOR THE PROPOSED ACQUISITION**

In view of the business nature and performance of the Target Company with its stable customer base, the Directors consider that the Proposed Acquisition poses a valuable opportunity for the Group to capture the business potential by expanding its client base and deepening the provision of existing ophthalmic products. The complementary nature of products manufactured by the Group (through its subsidiary) and the Target Company is expected to create synergistic effect to the existing customer bases of both parties.

Furthermore, the Proposed Acquisition will allow the Company to continue to pursue its long-term business diversification strategy by entering into the contact lens and solutions business, so as to further enhance its revenue sources as well as to bring positive return to its Shareholders. The Proposed Acquisition also involves a capital injection into the Target Company, bringing in additional working capital and facilitating the Target Company in its business operations.

In consideration of the benefits of the Proposed Acquisition, the Board is of the view that the terms of the Proposed Acquisition are fair and reasonable and the Proposed Acquisition is in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As the Put Options are exercisable at the discretion of holders of the Put Options and the exercise prices for the Put Options are to be determined, amongst others, with reference to the Final Net Income of the Financial Year immediately preceding the exercise of the Put Options, the grant of the Put Options will be classified as at least a major transaction for the Company pursuant to Rule 14.76(1) of the Listing Rules. Accordingly, the Put Options together and the Proposed Acquisitions together with the transactions contemplated thereunder constitute a major transaction for the Company and are subject to the Shareholders' approval at the general meeting.

## **GENERAL**

### **General Meeting**

Given that the Company has obtained a written approval from Outwit, the controlling shareholder holding 1,228,275,094 Shares as at the date hereof (representing approximately 62.60% of the issued Shares), in respect of the Proposed Acquisition, the Put Options, the issue of the Convertible Bonds and transactions contemplated herein, the Company has made an application pursuant to Rule 14.44 of the Listing Rules for a waiver from the requirements to convene a general meeting.

## **Despatch of circular**

A circular containing, among others, (i) further details of the Proposed Acquisition, the Put Options and the issue of Convertible Bonds; (ii) financial and other information of the Group; (iii) financial and other information of the Target Company; and (iv) pro forma financial information of the enlarged Group upon Closing will be dispatched to the Shareholders in accordance to the Listing Rules as soon as practicable.

## **DEFINITIONS**

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

“Affiliate”	means with respect to any specified person (i) any other person that directly or indirectly controls, or is controlled by, or is under common control with, such specified person; and (ii) without limiting the generality of the foregoing, includes any limited or general partner, venture capital, investment vehicle or investment fund or member of such person and any now or hereafter existing that is controlled by or under common control with such specified person. “Affiliates” and “Affiliated” shall have correlative meanings;
“AIM Put Option Deed”	means the put option deed dated 23 June 2014 entered into between the Company and the Seller relating to the grant of the right to the Seller to require the Company to purchase all or a portion of the Registered Capital then held by the Seller or its Affiliates;
“Annual Audited Financial Statements”	means the annual audited financial statements of the Target Company;
“Audit Report”	means the audit report of the Target Company for a particular Financial Year to be issued as soon as practicable after the Financial Year and in any event no later than 30 April following the relevant Financial Year;
“Board”	means the board of Directors;
“Bond Certificates”	means the bond certificate(s) in respect of the Convertible Bonds to be issued pursuant to the terms of the Bond Instrument;
“Bond Instrument”	means the instrument to be executed by way of deed poll by the Company constituting the Convertible Bonds;
“Business Days”	means a day other than a Saturday or Sunday on which commercial banks are open for business in Hong Kong;

“BVI”	means the British Virgin Islands;
“CB Closing Date”	means subject to the fulfillment of the conditions of the relevant CB Subscription Agreement, the closing of the subscription and issue of Convertible Bonds;
“CB Holder”	means the person in whose name a Convertible Bond is registered in the register of the Convertible Bonds (which shall contain the names and addresses of the CB Holders and the particulars of the Convertible Bonds held by them and of all transfers of the Convertible Bonds);
“CB Subscribers”	means CDH I and Redstone;
“CB Subscription Agreements”	means CDH I-CB Subscription Agreement and RED-CB Subscription Agreement;
“CB Transaction Documents”	means the Bond Instrument, the Bond Certificates and any other documents and agreements the execution of which is contemplated under the relevant CB Subscription Agreement;
“CDH I”	means CDH Giant Health I Limited, a limited liability company incorporated in the British Virgin Islands;
“CDH”	means CDH Giant Health II Limited, a limited liability company incorporated in the British Virgin Islands;
“CDH I-CB Subscription Agreement”	means the subscription agreement dated 23 June 2014 entered into between CDH I and the Company relating to the subscription and issue of the Convertible Bonds;
“CDH I-Convertible Bonds”	means the HK\$300,000,000 convertible bonds due on the Maturity Date in registered form in the denomination of HK\$10,000,000 each and integral multiples of HK\$10,000,000 to be constituted by the Bond Instrument and issued with the benefits of, and subject to, the terms and conditions set out thereunder;
“CDH Put Option Deed”	means the put option deed dated 23 June 2014 entered into between the Company and CDH relating to the grant of the right to the CDH to require the Company to purchase all or a portion of the Registered Capital then held by the CDH or its Affiliates;
“Change of Control”	means either (a) Mr. Hu Kaijun and/or his family members are no longer the largest shareholder of the Company or, directly indirectly, ceases to maintain at least 30% of the shareholding interest in the Company; or (b) the Company consolidates with or merges into or sells all or substantially

	all of the Company's assets to another person (save for the circumstances stipulated in the Bond Instrument);
"Closing"	means the closing of the transactions contemplated under the Purchase and Subscription of Registered Capital Agreement;
"Closing Date"	means the date on which Closing takes place;
"Company"	means China Grand Pharmaceutical and Healthcare Holdings Limited, a limited liability company incorporated in Bermuda and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 512);
"Consideration"	means the sum of the Sale Consideration and the Subscription Consideration;
"Conversion Price"	the price per Share at which the Convertible Bonds may be converted into Shares;
"Conversion Shares"	means Shares that are issued or issuable upon conversion of the Convertible Bonds in accordance with the terms and conditions;
"Convertible Bonds"	mean an aggregate of HKD330,000,000 convertible bonds due on the Maturity Date, comprising the CDH I-Convertible Bonds and the RED-Convertible Bonds;
"Director(s)"	means the director(s) of the Company;
"Exclusivity and Price Adjustment Agreement"	means the agreement dated 23 June 2014 entered into between the Seller, the Company, CDH and the Target Company relating to the grant of exclusive right to negotiate the Proposed Acquisition with the Seller;
"Final Net Income"	means the total consolidated net income of Target Company as reflected in the Annual Audited Financial Statements for the Financial Year immediately preceding the year in which the relevant CDH Put Option Notice and/or AIM Put Option Notice (as the case maybe) is delivered;
"Financial Year"	means the financial year of the Target Company;
"Founder"	means Lily Liu Durr, the legal representative of the Target Company;

“GP”	means 远大医药(中国)有限公司, a limited liability company established in the PRC and 99.6% of its registered capital is held by the Company;
“Group” or “Group Companies”	means collectively, the Company, and any direct and indirect subsidiary of the Company including the Subsidiaries;
“HK\$”	means Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	means third party(ies) independent of the Company and connected persons (as defined under the Listing Rules) of the Company are not connected persons (as defined under the Listing Rules) of the Company;
“IP Rights”	the intellectual property rights scheduled in the Purchase and Subscription of Registered Capital Agreement to be or procured to be transferred by the Founder to the Target Company;
“Issue Date”	means the date of the Bond Instrument constituting the Convertible Bonds;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange;
“LWK (Lao Wei Kang 老卫康)”	means 上海卫康光学有限公司, a company established in PRC;
“Main Board”	means the main board maintained and operated by the Stock Exchange;
“Maturity Date”	means the fifth anniversary of the Issue Date;
“Outwit”	means Outwit Investments Limited, a limited liability company incorporated in the British Virgin Island, the entire issued share capital of which is wholly owned by Mr Hu Kaijun;
“PRC”	means the People’s Republic of China;
“Proposed Acquisition”	means (1) the proposed acquisition of 52.25% of the Sale Registered Capital by GP from the Seller; and (2) the proposed subscription by GP of further Registered Capital

pursuant to the Purchase and Subscription of Registered Capital Agreement, resulting in GP holding an aggregate of 55% of Registered Capital;

“Purchase and Subscription of Registered Capital Agreement”	means the agreement dated 23 June 2014 entered into among the Company, GP, CDH, the Seller, the Target Company and the Founder, pursuant to which the Seller has agreed to sell and GP and CDH have agreed to purchase the Sale Registered Capital and further subscribe for the Registered Capital of the Target Company, as such agreement may be modified, amended, supplemented, revised, restated or replaced from time to time. For the avoidance of doubt, in the event that the parties to the Purchase and Subscription of Registered Capital Agreement, in accordance with the terms therein, modify, amend, supplement, revise, restate or replace the Purchase and Subscription of Registered Capital Agreement by way of executing a new agreement relating to the purchase of the Sale Registered Capital and subscription of the Registered Capital of the Target Company and terminating the existing Purchase and Subscription of Registered Capital Agreement, the term “Purchase and Subscription of Registered Capital Agreement” shall refer to such newly executed agreement and not to the terminated agreement;
“Put Options”	means the CDH Put Option and AIM Put Option;
“RED-CB Subscription Agreement”	means the subscription agreement dated 23 June 2014 entered into between Redstone and the Company relating to the subscription and issue of the Convertible Bonds;
“RED-Convertible Bonds”	means the HK\$30,000,000 convertible bonds due on the Maturity Date in registered form in the denomination of HK\$1,000,000 each and integral multiples of HK\$1,000,000 to be constituted by the Bond Instrument and issued with the benefits of, and subject to, the terms and conditions set out thereunder;
“Redstone”	means RedStone Capital Management (Cayman) Limited, an exempted company incorporated in the Cayman Islands;
“Registered Capital”	means the registered capital of the Target Company;
“Registered Capital Holders”	means the holders of the Registered Capital;
“Registered Capital Transfer”	means the acquisition and subscription of Registered Capital pursuant to the Purchase and Subscription of Registered Capital Agreement;

“Relative Indicative Percentage”	means the average percentage of (i) the net profit of the Target Company under the Special Audit Report divided by an agreed benchmark of the net profit of the Target Company; (ii) the owner’s equity of the Target Company under the Special Audit Report divided by an agreed benchmark of the owner’s equity of the Target Company; (iii) the revenue of the Target Company under the Special Audit Report divided by an agreed benchmark of the revenue of the Target Company; and (iv) the total asset of the Target Company under the Special Audit Report divided by an agreed benchmark of the total assets of the Target Company.
“RMB”	means RMB, the lawful currency of PRC;
“Sale Consideration”	means an aggregate of US\$78,750,000, being the aggregate consideration payable by GP and CDH for the Sale Registered Capital under the Purchase and Subscription of Registered Capital Agreement;
“Sale Registered Capital”	means an aggregate of 71.25% of the Registered Capital as at the date of the Purchase and Subscription of Registered Capital Agreement;
“Seller”	means AIM Global Holdings Limited (世標控股有限公司), a company incorporated in the British Virgin Islands;
“Share(s)”	means ordinary share(s) in the share capital of the Company;
“Shareholder(s)”	means holder(s) of Share(s);
“Special Audit Report”	means the audit report conducted by GP or its advisers against the Target Company pursuant to the Exclusivity and Price Adjustment Agreement and the Purchase and Subscription of Registered Capital Agreement for the purpose of, among others, determining the price adjustment to the Consideration;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Subscription Consideration”	means an aggregate of US\$15,000,000, being the aggregate consideration payable by GP and CDH for the subscription of additional Registered Capital under the Purchase and Subscription of Registered Capital Agreement;
“Subsidiary(ies)”	shall have the means ascribed in Rule 1.01 of the Listing Rules;

“Target Company”	means Shanghai Weicon Optical Co., Ltd. 上海卫康光学眼镜有限公司, a company incorporated under the laws of the PRC, which is wholly owned by the Seller;
“US\$”	means the lawful currency of the United States of America;
“Winding-Up Order”	means the order in relation to the winding up of LWK (Lao Wei Kang 老卫康).

By Order of the Board  
**China Grand Pharmaceutical and  
Healthcare Holdings Limited**  
**Liu Chengwei**  
*Chairman*

Hong Kong, 23 June 2014

*As at the date of this announcement, the Board comprises four executive directors, namely, Mr Liu Chengwei, Mr Hu Bo, Dr Shao Yan and Dr Zhang Ji and three independent non-executive directors, namely, Ms So Tosi Wan, Winnie, Mr Lo Kai Lawrence and Dr Pei Geng.*

*\* For identification purpose only.*