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**漢港控股**  
SINO HARBOUR HOLDINGS

**SINO HARBOUR HOLDINGS GROUP LIMITED**

**漢港控股集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1663)**

**VOLUNTARY ANNOUNCEMENT  
SUBSCRIPTION FOR SHARES IN  
JIANGXI LONGYU MEDICINE CO., LTD.**

This announcement is made by the Company on a voluntary basis to inform its shareholders and potential investors of the latest information about the Group.

On 28 September 2017, Zhejiang Sino Harbour, the Company's indirect wholly-owned subsidiary, entered into the Subscription Agreement to subscribe for the Subscription Shares at an aggregate cash consideration of RMB19,890,000 (equivalent to approximately HK\$23,394,000).

The Subscription Shares represent approximately 5.24% of the issued share capital of LongYu Medicine as at the date of the Subscription Agreement and approximately 4.98% of the issued share capital of LongYu Medicine as enlarged by the issue of the Subscription Shares upon the Completion.

As all the applicable Percentage Ratios in respect of the Subscription are less than 5%, the Subscription does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

This announcement is made by the Company on a voluntary basis to inform its shareholders and potential investors of the latest information about the Group.

## **THE SUBSCRIPTION**

The Board is pleased to announce that on 28 September 2017, Zhejiang Sino Harbour, the Company's indirect wholly-owned subsidiary, entered into the Subscription Agreement to subscribe for the Subscription Shares at an aggregate cash consideration of RMB19,890,000 (equivalent to approximately HK\$23,394,000).

The Subscription Shares represent approximately 5.24% of the issued share capital of LongYu Medicine as at the date of the Subscription Agreement and approximately 4.98% of the issued share capital of LongYu Medicine as enlarged by the issue of the Subscription Shares upon the Completion.

The Subscription Price was arrived at after arm's length negotiations between Zhejiang Sino Harbour and LongYu Medicine and will be settled by the internal financial resources of the Group.

## **THE SUBSCRIPTION AGREEMENT**

The principal terms of the Subscription Agreement are as follows:-

Date: 28 September 2017

Parties: (1) Issuer: LongYu Medicine  
(2) Subscriber: Zhejiang Sino Harbour  
(3) Guarantor: Mr. Gong Peng Yu

### **Subscription Shares**

Pursuant to the Subscription Agreement, Zhejiang Sino Harbour has agreed to subscribe for the Subscription Shares at an aggregate cash consideration of RMB19,890,000 (equivalent to approximately HK\$23,394,000), subject to the terms therein. The Subscription Shares to be subscribed by Zhejiang Sino Harbour represent approximately 5.24% of the issued share capital of LongYu Medicine as at the date of the Subscription Agreement and approximately 4.98% of the enlarged issued share capital of LongYu Medicine upon the Completion.

The Subscription Shares, when issued and fully paid, will rank pari passu in all respects with LongYu Medicine's shares in issue upon the Completion, including the right to any dividends or distributions after the Completion. The Subscription Shares are subject to a lock-up period of one year commencing on the date of the Completion.

### **Consideration and Payment**

Pursuant to the terms of the Subscription Agreement, the aggregate consideration for the Subscription is RMB19,890,000 (equivalent to approximately HK\$23,394,000), which shall be paid in full by cash to LongYu Medicine on a date according to the payment schedule to be announced by LongYu Medicine on the National Equities Exchange and Quotations in the PRC.

### **Conditions Precedent**

Completion is subject to and conditional upon the satisfaction of, among others, the following conditions:-

- (1) there being no material and adverse change and effect on the business, technology, legal and financial position of LongYu Medicine and its subsidiaries from the date of the Subscription Agreement to the payment date of the consideration; and
- (2) there being no restriction, forbidding or cancellation by the applicable laws, regulations and ordinances or governmental judgment, prohibition or order in relation to the allotment and issue of the Subscription Shares.

### **Guarantee**

Pursuant to the terms of the Subscription Agreement, the Guarantor has irrevocably and unconditionally guaranteed Zhejiang Sino Harbour as follows:-

(a) Profit Guarantee

The audited net profit of LongYu Medicine for the financial year ending 31 December 2018 (the “**Audited Profit**”) shall be at least RMB25,000,000 (equivalent to approximately HK\$29,404,000) (the “**Guaranteed Profit**”) and in which the non-recurring profit or loss shall not exceed RMB5,000,000 (equivalent to approximately HK\$5,881,000). In the event that the Audited Profit is less than the Guaranteed Profit (the “**Shortfall**”), the Guarantor shall return the premium portion of the valuation of LongYu Medicine (the “**Premium Portion**”) to Zhejiang Sino Harbour. The Premium Portion shall be calculated as follows:-

$$\text{RMB19,890,000} \times (1 - (16 \times \text{Audited Profit}) \div \text{RMB400,000,000})$$

In the event that the Shortfall is caused by force majeure, the Guarantor shall return the Premium Portion to Zhejiang Sino Harbour, subject to mutual agreement between Zhejiang Sino Harbour and the Guarantor. The Premium Portion shall be calculated as follows:-

$$\text{RMB19,890,000} \times (1 - (16 \times \text{Audited Profit}) \div \text{RMB400,000,000}) \times 75\%$$

The Guarantor shall pay the Premium Portion to Zhejiang Sino Harbour within 30 days after the publication of the audited financial statements of LongYu Medicine for the financial year ending 31 December 2018.

If the Guarantor fails to fulfill its obligations under the Subscription Agreement by paying the Premium Portion, Zhejiang Sino Harbour will charge a daily penalty of 0.03%, on the full amount of the Premium Portion, to LongYu Medicine for each day of delay in payment.

(b) Subscription Price Guarantee

For the period of two years from the date of the Completion (the “**Guarantee Period**”), LongYu Medicine shall not issue any class of its share(s) with an issue price lower than the Subscription Price (the “**Subscription Price Guarantee**”). In the event that the Audited Profit is less than RMB25,000,000 (equivalent to approximately HK\$29,404,000), the Guarantee Period will be extended to the date of approval by the China Securities Regulatory Commission of the application for initial public offerings and listing of A-shares by LongYu Medicine.

In the event that the Subscription Price Guarantee is defaulted, the Guarantor shall return the premium portion of the valuation of LongYu Medicine to Zhejiang Sino Harbour within 30 days after the new share(s) is/are issued by LongYu Medicine. Such premium portion shall be calculated as follows:-

(Subscription Price – issue price of each new share) x number of the Subscription Shares

### **Completion**

Completion of the Subscription shall take place on the date on which all the conditions set out in the Subscription Agreement have been satisfied.

### **INFORMATION OF LONGYU MEDICINE**

LongYu Medicine is a company established under the laws of the PRC, its issued shares are traded on the National Equities Exchange and Quotations in the PRC (stock code: 837836).

Its principal activities are the sales and distribution of drugs and high-tech medical devices, pharmaceutical logistics as well as the provision of professional and academic medical promotion services.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, LongYu Medicine and its ultimate beneficial owners are third parties independent of and not connected with the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates.

### **REASONS AND BENEFITS FOR THE SUBSCRIPTION**

The Group is principally engaged in property development in the PRC.

In January 2017, the Medical Reform Office of the State Council (國務院醫改辦) of the PRC together with eight government institutions, including the National Health and Family Planning Commission (國家衛生和計劃生育委員會), issued the “Opinions on the Implementation of the “Two-Invoice System” in Drug Procurement by Public Medical Institutions (for Trial Implementation)” 《關於在公立醫療機構藥品採購中推行「兩票制」的施行意見（試行）》 (the “**Two-Invoice System**”). Up to August 2017, the Two-Invoice System had been implemented in 25 provinces in the PRC, including Jiangxi Province.

Under the Two-Invoice System, the distribution of drugs will begin with a pharmaceutical manufacturer selling its products to a distributor or its designated agent (the first invoice). Such distributor or designated agent shall then sell the products directly to medical institutions (the second invoice).

Through streamlining the supply chain between pharmaceutical manufacturers and medical institutions, only “two invoices” will be allowed for the sales of pharmaceuticals from the pharmaceutical manufacturers to the medical institutions. The previous multi-invoice system will be replaced by the Two-Invoice System, thereby reducing the selling price of the pharmaceuticals to end-users.

The implementation of the Two-Invoice System will have a significant and direct impact on the drug distribution sector. It will substantially increase industry concentration, and as a result, existing distributors which mainly engage in drug wholesaling and re-allocating as well as certain irregular distributors will be driven out of business. It will also accelerate the transformation of pharmaceutical enterprises’ business sales model to a third party outsourcing sales model, hence driving sales channels reform and encouraging the formation of strategic alliances between large-scale drug dealers, so as to evade the impact of the policies. Regional pharmaceutical distribution companies with strong distribution network, excelling in the coverage and depth of drug distribution, will be preferred business partners for pharmaceutical manufacturers and medical institutions.

The Group has strived to explore new business opportunity and diversity its business. In 2017, the Group had set up new subsidiaries to enter into the stem cell and pharmaceutical inspection industry. The upstream suppliers of LongYu Medicine are potential clients of the Group's existing pharmaceutical inspection business. The downstream sales channels of LongYu Medicine, which are primarily hospitals in the PRC, are potential sales channels and business partners for the Group's existing stem cell business. The Board is of the view that the Subscription will provide an opportunity for the Group to expand its stem cell and pharmaceutical inspection business to Jiangxi Province and exploit synergy between the Group and LongYu Medicine.

The Board considers that the terms of the Subscription Agreement are fair and reasonable and the Subscription is in the best interest of the Company and its shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

As all the applicable Percentage Ratios in respect of the Subscription are less than 5%, the Subscription does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms shall have the following respective meanings when used herein:-

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Sino Harbour Holdings Group Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed and traded on the main board of the Stock Exchange (stock code: 1663)
“Completion”	the completion of the Subscription by Zhejiang Sino Harbour
“Director(s)”	the director(s) of the Company

“Group”	the Company and its subsidiaries
“Guarantor”	Mr. Gong Peng Yu (龔鵬宇先生), a substantial shareholder of LongYu Medicine, holding approximately 45.66% equity interest in LongYu Medicine as at the date of the Subscription Agreement
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LongYu Medicine”	Jiangxi LongYu Medicine Co., Ltd. (江西龍宇醫藥股份有限公司), a company incorporated in the PRC with limited liability, the issued shares of which are traded on the National Equities Exchange and Quotations in the PRC (stock code: 837836)
“Percentage Ratios”	the percentage ratios set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction under the Listing Rules
“PRC”	the People’s Republic of China and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription for the Subscription Shares pursuant to the Subscription Agreement



“Subscription Agreement”	a subscription agreement dated 28 September 2017 and entered into between Zhejiang Sino Harbour, LongYu Medicine and the Guarantor in relation to the Subscription
“Subscription Price”	RMB17 per Subscription Share; the total consideration for the Subscription shall be RMB19,890,000 (equivalent to approximately HK\$23,394,000)
“Subscription Shares”	1,170,000 ordinary shares of LongYu Medicine to be allotted and issued to Zhejiang Sino Harbour in accordance with the Subscription Agreement
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Zhejiang Sino Harbour”	Zhejiang Sino Harbour Bio Technology Limited (浙江漢港生物技術有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent.

By order of the Board  
**Sino Harbour Holdings Group Limited**  
**SHI Feng**  
*Deputy Chairman and Executive Director*

Hong Kong, 28 September 2017

*As at the date of this announcement, the Board comprises seven Directors, including three executive Directors, namely Mr. SHI Feng (Deputy Chairman and Chief Executive Officer), Mr. WONG Lui and Ms. GAO Lan; one non-executive Director, namely Ms. CHAN Heung Ling (Chairlady); and three independent non-executive Directors, namely Mr. XIE Gang, Mr. LEE Man To and Ms. ZHANG Juan.*