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## 中國植物開發控股有限公司

CHINA BOTANIC DEVELOPMENT HOLDINGS LIMITED

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

(Stock code: 2349)

### **ALTERATION OF THE TERMS OF THE CONVERTIBLE NOTES**

Reference is made to the announcements of the Company dated 24 October 2007 and 28 November 2007 in relation to the issue of the Convertible Notes.

The Company and the New Noteholders now proposed to alter the terms of the Convertible Notes such that the Conversion Price of the Convertible Notes will be amended to HK\$0.40 per Shares.

The Company intends to seek a specific mandate from the Shareholders for the allotment and issue of the New Conversion Shares. In this regard, the Company will put forward the proposals to the Shareholders at the EGM the necessary resolutions to approve the Proposed Alteration and the transaction contemplated thereunder.

The Listing Approval granted in November 2007 only extends to a maximum number of 106,643,356 Conversion Shares. The Company will apply to the Listing Committee of the Stock Exchange for the listing of and permission to deal in, the New Conversion Shares which may fall to be allotted and issued by the Company pursuant to the exercise of the conversion rights attaching to the Convertible Notes. The Listing Approval granted on 1 November 2007 would be revoked accordingly.

According to Rule 28.05 of the Listing Rules, any alterations in the terms of the convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible equity securities. In the letter dated 2 July 2009 from the Stock Exchange to the legal advisers of the Company, the Stock Exchange has stated that based on the information provided, the Stock Exchange will approve the Proposed Alteration under Rule 28.05 provided that the Proposed Alteration has been duly approved by the Shareholders.

A circular containing, among other matters, details of the Proposed Alteration and notice of EGM will be despatched to the Shareholders in compliance with the Listing Rules. The Proposed Alteration will be subject to approval of the Shareholders at the EGM. Each of Prime, BOCI FP, Super Yield and Mr. Yee the New Noteholders, has agreed, and has agreed to procure its associates, to abstain from voting for the resolutions to approve the Proposed Alteration at the EGM.

Reference is made to the announcements of the Company dated 24 October 2007 and 28 November 2007 in relation to the issue of Convertible Notes.

## **RELEVANT BACKGROUND**

### **The Placing**

On 22 October 2007, the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent has agreed to place, on a best effort basis, up to an aggregate principal amount of HK\$122,000,000 Convertible Notes subject to the conditions set out in the Placing Agreement.

Following the fulfillment of all the conditions precedent under the Placing Agreement, completion of the Placing took place on 28 November 2007. The Convertible Notes in the principal amount of HK\$122,000,000 with the rights to convert into 85,314,685 Shares at initial conversion price of HK\$1.43 per Share (the “**Initial Conversion Price**”) were issued by the Company to BOCI FP and Evolution Master Fund Ltd. SPC, Segregated Portfolio M, (“**Evolution**”) in the principal amounts of HK\$84,500,000 and HK\$37,500,000 respectively.

### **The Noteholders**

As advised by Evolution, one of the Noteholders, on 19 June 2009, it has transferred its Convertible Notes in the principal amounts of HK\$37,500,000 to three transferees, namely:

- (a) Convertible Notes in the principal amount of HK\$10,500,000 to Prime. Prime is incorporated in Cayman Islands and continue in Bermuda with limited liability and the issued shares of which are listed on the main board of the Stock Exchange. As advised by Prime, as at 22 June 2009, Prime has exercised its conversion rights under another convertible notes issued by the Company, and converted a principal amount of HK\$10,000,000 at the conversion price of HK\$0.15 into 66,666,666 Shares. As at the date of this announcement, apart from the Convertible Notes in the principal amount of HK\$10,500,000, Prime is also the legal and beneficial owner of:
  - (i) 75,556,666 issued Shares, representing approximately 6.84% of the issued share capital of the Company as enlarged by the conversion as mentioned above; and
  - (ii) convertible notes with face value of HK\$15,000,000 which entitle the holder thereof to subscribe for Shares at the initial conversion price of HK\$0.15 per Share;

- (b) Convertible Notes in the principal amount of HK\$7,000,000 to Super Yield. Super Yield is wholly and beneficially owned by Mr. Yee Ka Yau Kenneth (“**Mr. Yee**”) as at the date of this announcement. Each of Super Yield and Mr. Yee is interested in 920,000 and 14,022,000 issued Shares, representing approximately 0.08% and 1.27% of the issued share capital of the Company as at the date of this announcement respectively; and
- (c) Convertible Notes in the principal amount of HK\$20,000,000 to Mr Fung.

### **The Conversion Shares**

The Conversion Shares would be allotted and issued under the 2007 General Mandate and Listing Approval was granted by the Stock Exchange on 1 November 2007, which extended to up to 85,314,685 and 106,643,356 Conversion Shares on full conversion of the Convertible Notes at the Initial Conversion Price (i.e. HK\$1.43) and the Minimum Reset Conversion Price (i.e. HK\$1.144) respectively.

As a result of the Proposed Alteration, the number of Conversion Shares will increase and new Shareholders’ approval and Listing Approval by the Stock Exchange will need to be sought.

### **The adjustments to the Conversion Price**

As disclosed in the paragraph headed “Principal Terms of the Convertible Notes” in the announcement of the Company dated 24 October 2007, the Initial Conversion Price of the Conversion Shares was set at HK\$1.43 per Share. The Initial Conversion Price is subject to adjustments provided for in the terms and conditions of the Convertible Notes.

The Conversion Price is also subject to the Conversion Price Reset whereby the Conversion Price shall be adjusted on each of the first and second anniversaries of the date of issue if the Reference Price is less than 85% of the Conversion Price then in effect. In such case, the Conversion Price will be adjusted downward so that the Reference Price will become the Conversion Price with effect from such date; provided, that any adjustment to the Conversion Price pursuant to the reset on a cumulative basis will be limited to the Minimum Reset Conversion Price. The Initial Conversion Price was HK\$1.43, as such, the Minimum Reset Conversion Price would be HK\$1.144.

On the first anniversary of the date of issue of the Convertible Bonds (i.e. 28 November 2008), the Conversion Price was reset to HK\$1.144, being the First Reset Conversion Price in accordance with the terms of the Convertible Notes. Based on the First Reset Conversion Price, the Noteholders will be entitled to subscribe for 106,643,356 Conversion Shares upon exercise of the conversion rights attached to the Convertible Notes.

The Convertible Notes provides that the Company will, at the option of the Noteholders, redeem all or some of the Convertible Notes on a date falling after the second anniversary of the date of issue of the Convertible Notes, at the Early Redemption Price (plus any accrued and unpaid interest and additional interest, if any) of the Convertible Notes.

On 19 November 2008, the Company announced the Open Offer of 345,968,750 Offer Shares at HK\$0.08 per Offer Share in the proportion of one Offer Share for every two Shares held on the Record Date on a fully underwritten basis. The Open Offer had become unconditional on 25 March 2009. Based on the number of 691,937,500 Shares in issue on the Record Date, the total issued share capital of the Company was enlarged to 1,037,906,250 Shares.

As at the date of this announcement, none of the conversion rights attached to the Convertible Notes have been exercised by the New Noteholders. As such, upon full conversion of the Convertible Notes at the First Reset Conversion Price i.e. HK\$1.144, a total of 106,643,356 Conversion Shares will be issued.

## **THE PROPOSED ALTERATION**

### **Conditions**

The Company and the New Noteholders now propose to alter the terms of the Convertible Notes such that the Conversion Price of the Convertible Notes will be amended to HK\$0.40 per Share. The Proposed Alteration will be subject to:

- (a) the passing by the Shareholders who are entitled to vote and not required to be abstained from voting under the Listing Rules at the EGM of the necessary resolutions to approve the Proposed Alteration and the transactions contemplated thereunder (including but not limited to the allotment and issue of the New Conversion Shares to the New Noteholders);
- (b) all necessary consents and approvals required to be obtained on the part of the Company and the New Noteholders in respect of the Proposed Alteration and the transactions contemplated thereunder having been obtained; and
- (c) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the New Conversion Shares.

Apart from the Proposed Alteration, the other terms and conditions of the Convertible Notes shall remain intact and unchanged.

Upon full conversion of the Convertible Notes in the principal amount of HK\$122,000,000 by the New Noteholders at the Proposed Conversion Price, a maximum of 305,000,000 New Conversion Shares will be issued.

The Proposed Conversion Price of HK\$0.40 for each New Conversion Share was determined after arm's length negotiations between the Company and the New Noteholders. The Proposed Conversion Price represents:

- (i) a premium of approximately 45.45% over the closing price of the Shares of HK\$0.275 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (ii) a premium of approximately 41.84% over the average of the closing prices of the Shares of approximately HK\$0.282 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including Last Trading Date;
- (iii) a premium of approximately 56.25% over the average of the closing prices of the Shares of approximately HK\$0.256 per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Date;
- (iv) a discount of approximately 65.03% to the First Reset Conversion Price; and
- (v) a premium of approximately 602.23% to the audited net assets value per Share (calculated based on the net assets attributable to equity holders of the Company as at 31 December 2008 divided by the number of Shares in issue as at the date of this announcement) of approximately HK\$0.057 per Share.

The New Conversion Shares will represent: (i) approximately 27.61% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 21.64% of the issued share capital of the Company as enlarged by the allotment and issue of the New Conversion Shares.

The Company intends to seek a specific mandate from the Shareholders for the allotment and issue of the New Conversion Shares. In this regard, the Company will put forward the proposals to the Shareholders at the EGM the necessary resolutions to approve the Proposed Alteration and the transactions contemplated thereunder.

### **The Listing Approval**

The Listing Approval granted in November 2007 only extends to a maximum number of 106,643,356 Conversion Shares. The Company will apply to the Listing Committee of the Stock Exchange for the listing of and permission to deal in, the New Conversion Shares which may fall to be allotted and issued by the Company pursuant to the exercise of the conversion rights attaching to the Convertible Notes. The Listing Approval granted on 1 November 2007 would be revoked accordingly.

### **IMPLICATION UNDER LISTING RULES**

According to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible equity securities.

In the letter dated 2 July 2009 from the Stock Exchange to the legal advisers of the Company, the Stock exchange has stated that based on the information provided, the Stock Exchange will approve the Proposed Alteration under Rule 28.05 provided that the Proposed Alteration has been duly approved by the Shareholders.

A circular containing, among other matters, details of the Proposed Alteration and notice of EGM, will be despatched to the Shareholders in compliance with the Listing Rules. The Proposed Alteration will be subject to the approval of the Shareholders at the EGM. Each of Prime, BOCI FP, Super Yield and Mr. Yee has agreed, and has agreed to procure its associates, to abstain from voting for the resolutions to approve the Proposed Alteration at the EGM.

## **REASONS FOR THE PROPOSED ALTERATION**

The Proposed Alteration was arrived at after arm's length negotiations between the Company and the New Noteholders. The Board believes that Proposed Alteration will be in the interests of the Company and the Shareholders as a whole.

Given the effect of the financial tsunami and the relatively weak global financial performance, the trading price of the Shares has been decreased drastically for the past year. The average of the trading prices of the Shares during May 2009 as quoted on the Stock Exchange was approximately HK\$0.183 per Share. The average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Date was approximately HK\$0.281 per Share. The average of the closing prices per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Date was approximately HK\$0.282 per Share.

Based on such recent trading statistics, both the Company and the New Noteholders believe that the Proposed Conversion Price will be more realistic and more attractive to the New Noteholders thereby making it easier for the New Noteholders to convert the Convertible Notes into the Conversion Shares during the remaining term of the Convertible Notes. With the conversion of the Convertible Notes, the equity capital of the Company will be further strengthened and the debt level and the gearing ratio of the Company will also be lowered correspondingly.

## **DEFINITIONS**

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

“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours

“BOCI FP”	BOCI Financial Products Limited, a company incorporated in the British Virgin Islands with limited liability and one of the Noteholders and New Noteholders
“Company”	China Botanic Development Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Stock Exchange
“connected persons”	has the meaning ascribed to this term under the Listing Rules
“Conversion Shares”	new Shares to be allotted and issued by the Company pursuant the exercise of the conversion rights attaching to the Convertible Notes
“Convertible Notes”	the 3% convertible notes in the aggregate principal amounts of HK\$122,000,000 due 2010 and issued by the Company pursuant to the Placing
“Directors”	the directors of the Company
“Early Redemption Price”	a price at which the Convertible Notes will be redeemed which will provide a holder of the Convertible Note a yield of 13% per annum calculated on a semi-annual basis from the date of issue of the Convertible Notes up to the relevant redemption date
“EGM”	the extraordinary general meeting of the Company to be held and convened for the purpose of considering and, if thought fit, approving the Proposed Alteration and the transactions contemplated thereunder
“First Reset Conversion Price”	HK\$1.144 per Conversion Share, being the conversion price of the Conversion Shares after the first reset on the first anniversary of the date of issue of the Convertible Notes
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	any person or company and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons
“Last Trading Date”	7 July 2009, the last trading date before the date of this announcement
“Listing Approval”	the approval granted by the Stock Exchange on 1 November 2007 for the listing of and permission to deal in up to 85,314,685 Conversion Shares and 106,643,356 Conversion Shares on full conversion of the Convertible Notes at the Initial Conversion Price (i.e. HK\$1.43) and the Minimum Reset Conversion Price (i.e. HK\$1.144) respectively

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Minimum Reset Conversion Price”	HK\$1.144 per Conversion Share, being 80% of the initial Conversion Price
“Mr. Fung ”	Fung Cheuk Nang, Clement, a Hong Kong citizen and a director of Prime and an Independent Third Party
“New Conversion Shares”	the 305,000,000 New Conversion Shares to be allotted and issued by the Company pursuant to the exercise of the conversion rights attaching to the Convertible Notes at the Proposed Conversion Price
“New Noteholders”	together, BOCI FP, Prime, Super Yield and Mr Fung, the holders of the Convertible Notes as at the date of this announcement
“Noteholders”	together BOCI FP and Evolution, the holders of the Convertible Notes upon their issue
“Open Offer”	the open offer of the 345,968,750 Offer Shares by the Company to the Shareholders in the proportion of one Offer Share for every two Offer Shares held on the Record Date at the offer price of HK\$0.08 per Offer Share, details of which are contained in the announcement of the Company dated 19 November 2008
“Open Shares”	345,968,750 new Shares offered by the Company under the Open Offer
“Placing”	the placing of HK\$122,000,000 aggregate principal amount of the 3% unsecured and unsubordinated Convertible Note due 2010 under the Placing Agreement
“Placing Agent”	BOCI Asia Limited, a corporation licensed to carry on types 1 and 6 regulated activities within the meaning of the SFO and an Independent Third Party
“Placing Agreement”	the placing agreement dated 22 October 2007 and entered into between the Company and the Placing Agent in relation to the Placing
“Prime”	Prime Investments Holdings Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the issued shares of which are listed on the Stock Exchange
“Proposed Alteration”	the proposed alteration of the conversion price of the Conversion Shares to the Proposed Conversion Price
“Proposed Conversion Price”	HK\$0.40 per Conversion Share

“PRC”	the People’s Republic of China which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region and the Taiwan
“Record Date”	4 March 2009, being the record date to determine the entitlements under the Open Offer
“Reference Price”	the volume weighted average trading price of the Shares over the preceding calendar month for the purpose of the determining the Conversion Price Reset
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Super Yield”	Super Yield Management Company Limited, a company incorporated in the British Virgin Islands with limited liability, being one of the New Noteholders and an Independent Third Party
“2007 General Mandate”	the general mandate of the Company granted to the Directors to allot, issue and otherwise deal with 107,000,000 Shares at the annual general meeting of the Company held on 13 June 2007
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board  
**China Botanic Development Holdings Limited**  
**But Ka Wai**  
*Chairman*

Hong Kong, 7 July 2009

*As at the date of this Announcements, the Board comprises Mr. But Ka Wai (Chairman), Mr. But Chai Tong (Vice Chairman), Mr. Ying Wei and Ms. Gao Jihong as executive Directors, Ms. Wang Fang as non-executive Director and Mr. Ip Shing Tong, Francis, Mr. Ku Siu Fung, Stephen, Mr. Chen Ziqiang and Mr. Tam Pei Qiang as independent non-executive Directors.*