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SHANXI CENTRAL PHARMACEUTICAL INTERNATIONAL LIMITED
正中藥業國際有限公司*

(incorporated in Bermuda with limited liability)

ISSUE OF HK\$20,000,000
UNSECURED CONVERTIBLE DEBENTURES DUE 2004

SUMMARY

On 29 July, 2002, Shanxi Central Pharmaceutical International Limited (the “Company”) and Honest Concord Enterprises Limited (“HCE”) entered into a subscription agreement (the “Subscription Agreement”) pursuant to which the Company issued and HCE purchased an aggregate principal amount of HK\$20,000,000 4.5% unsecured convertible debentures due 2004 (the “Debentures”). The Debentures are convertible into ordinary shares of HK\$0.02 each of the Company (the “Shares”) at a conversion price equal to the higher of (i) HK\$0.065 per Share (the “Fixed Conversion Price”), subject to adjustment; or (ii) 93% of the average of the closing prices of one Share during the 10 business days immediately prior to conversion (the “Floating Conversion Price”). Unless converted or redeemed earlier, all outstanding Debentures will be automatically converted into Shares on maturity.

The Subscription Agreement was negotiated on an arm’s length basis and the directors of the Company believe that its terms are fair and reasonable so far as the Company is concerned.

Trading of the Shares was suspended on the Stock Exchange from 22 July, 2002 to 30 July, 2002 at the request of the Company. Application has been made by the Company for the resumption of trading of the Shares with effect from 9:30 a.m. on 31 July, 2002.

Subscription Agreement:

Date: 29 July, 2002

Issuer: the Company

Purchaser: HCE and its beneficial owner, Mr. Melvyn Michael Chin, the independent third parties not connected with the Company or any of the directors, chief executive and substantial shareholders of the Company or its subsidiaries or their respective associates (as defined in the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Currently, HCE and its beneficial owner do not hold any shares of the Company.

Principal amount of Debentures:	HK\$20,000,000 payable in cash by 2 installments:	
	On the Closing Date	HK\$2,000,000
	On or before the 30th day immediately after the Closing Date	HK\$18,000,000
Interest:	4.5% per annum payable semi-annually	
Closing Date:	29 July, 2002	
Transferability:	HCE will not assign or transfer any of the Debentures to any third party other than a subsidiary or holding company or subsidiary of such a holding company of it without the prior written consent of the Company.	
	The Company undertakes to the Stock Exchange that it will disclose to the Stock Exchange any dealings by the substantial shareholders and directors of the Company or their respective associates (as defined in the Listing Rules) in the Debentures from time to time immediately upon the Company becoming aware of it.	
Conversion Period:	at any time after the Closing Date upto maturity provided that no less than 10 million shares or its multiple shall be converted for each conversion. If the Debentureholder exercises the Conversion Right before the full payment within the 30-day period immediately after the Closing Date, the Debenture should have been paid upto the extent of the amount of the Debenture to be converted.	
Conversion Price:	The higher of (i) HK\$0.065 per Share, the Fixed Conversion Price, subject to adjustment as set out in the Subscription Agreement; or (ii) 93% of the average of the closing prices of one Share during the 10 business days immediately prior to conversion (the "Floating Conversion Price").	
	The Fixed Conversion Price represents a premium of approximately 22.6% of the closing price of one Share on the Stock Exchange on 19 July, 2002 (the last trading day prior to the suspension of trading of the Shares on 22 July, 2002) of HK\$0.053 and a discount of approximately 73.9% of the average of the closing prices of one Share on the Stock Exchange for 10 business days up to and including 19 July, 2002 of HK\$0.249.	
Conversion Shares:	Debentures are convertible into new Shares of the Company at the higher of (i) the Fixed Conversion Price, subject to adjustment and (ii) the Floating Conversion Price at any time during the Conversion Period, such Shares shall rank pari passu in all respects with the Shares then in issue, unless permitted by law and in compliance with all applicable rules and regulations.	
	Assuming full exercise of the conversion rights under the Debentures at the current Fixed Conversion Price of HK\$0.065 per Share, approximately 307,692,307 new Shares, representing approximately 14.7% of the existing issued share capital or approximately 12.8% of the enlarged share capital of the Company, will be issued pursuant to the terms of the Debentures.	

- Maturity:** 29 July, 2004
- Anti-dilutive Provision:** the Company shall be free to issue any securities convertible into Shares of the Company so long as any such securities are not issued with terms that are more favorable than the terms set out in the Debentures.
- Redemption:** the Company is required to redeem the Debentures at their principal amount plus accrued interest to date of redemption upon, inter alia, the Company not obtaining the Stock Exchange's approval to the listing of the Conversion Shares within 30 days after Closing Date. The Company can redeem the Debentures at any time after issue.

Use of Proceeds:

The net proceeds of approximately HK\$19,600,000 derived from the issue of the Debentures will be used for an acquisition of a pharmaceutical business as mentioned in another announcement of the Company dated 26 July, 2002. The Company undertakes to comply with all the requirements under the Listing Rules when such acquisition is materialized.

Listing:

No application will be made for the listing of, or permission to deal in, the Debentures on the Stock Exchange or any other stock exchange. Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued upon conversion of the Debentures.

General Mandate:

The Shares to be issued on any exercise of the conversion rights under the Debentures will be issued pursuant to the general mandate granted to the directors of the Company at the Company's last annual general meeting on 31 October, 2001.

General:

Trading of the Shares was suspended on the Stock Exchange from 22 July, 2002 to 30 July, 2002 at the request of the Company. Application has been made by the Company for the resumption of trading of the Shares with effect from 9:30 a.m. on 31 July, 2002.

By Order of the Board
Shanxi Central Pharmaceutical International Limited
Hou Li Ping
Chairman

Hong Kong, 30 July, 2002

* *for identification only*

“Please also refer to the published version of this announcement in The Standard”.