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China Packaging Holdings Development Limited

中華包裝控股發展有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1439)

PROPOSED ISSUE OF REDEEMABLE FIXED COUPON NOTE AND REDEEMABLE FIXED COUPON CONVERTIBLE BONDS

On 10 June 2015, after trading hours of the Stock Exchange, the Company, Rich Kirin, Big Wealth, the Guarantors and the Investor entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to issue and the Investor has conditionally agreed to subscribe for (i) the redeemable fixed coupon Note in the principal sum of HK\$80,000,000; and (ii) the Convertible Bonds with an aggregate principal amount of HK\$20,000,000 and the Convertible Bonds which carry conversion rights to convert up to 23,529,411 Conversion Shares at the Subscription Price (being the initial price of HK\$0.85 per Conversion Share which is subject to normal adjustment) during the Conversion Period. Both the Note and the Convertible Bonds are secured by Big Wealth Share Charge and Rich Kirin Share Charge.

The Conversion Shares issued upon exercise of the conversion rights attaching to the Convertible Bonds will be issued under the General Mandate.

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares which may fall to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds. No listing of the Convertible Bonds will be sought on the Stock Exchange or any other stock exchanges.

The Investor is a limited liability company incorporated in the BVI. It is indirectly and wholly-owned by CCB International (Holdings) Limited (“CCBI”). CCBI is an investment services flagship which is indirectly and wholly-owned by China Construction Bank Corporation, a joint-stock company incorporated in the PRC and listed on the Main Board of the Stock Exchange (stock code: 0939) and the Shanghai Stock Exchange (stock code: 601939).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Investor and their respective ultimate beneficial owners are Independent Third Parties.

Completion of the subscription of the Note and the Convertible Bonds is subject to the satisfaction of the conditions precedent under the Subscription Agreement. As the subscription of the Note and the subscription of the Convertible Bonds may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE SUBSCRIPTION AGREEMENT

Date: 10 June 2015 (after trading hours of the Stock Exchange)

Issuer: The Company

Guarantors: Mr. Sun Shao Hua, a Director and a controlling shareholder of the Company
Novel Blaze, a company wholly and beneficially owned by Mr. Sun and a controlling shareholder of the Company

Others: Rich Kirin and Big Wealth

Investor: Chance Talent Management Limited

Principal terms of the Note

The principal terms of the Note are summarised below:

Issuer: The Company

Principal amount: HK\$80,000,000

Term of the Note: A term of one year from and including the date of issue of the Note (the "**Term**"). Provided that the Company's EBITDA for the financial year before the end of the Term is not less than RMB52,000,000 and the consolidated net asset value of the Group is not less than RMB220,000,000, the Noteholder shall extend the Note (in whole or in part) on the same terms and conditions of the Note, for a period of one year commencing from the last day of the Term or if applicable extend for a further term of one year (the "**Extended Term**"), provided that the Noteholder may only make up to two extensions and the aggregate extended term for the above extensions shall not exceed two years.

Form: The Note will be issued upon Completion in registered form and a Note certificate will be issued to the Noteholder.

Interest Rate:	7.5% per annum, accrued from day to day on a 365 days basis payable in arrears with successive interest periods of 6 months until the Maturity Date of the Note or if earlier, the exercise of the Noteholder's redemption rights or the Company's early redemption rights.
Default Interest:	21% per annum of the overdue amount
Security:	The Note will have the benefit of the security constituted by the Rich Kirin Share Charge, the Big Wealth Share Charge and the Guarantee.
Status:	The Note constitute direct, unsubordinated, unconditional and secured obligations of the Company and shall at all times rank <i>pari passu</i> without any preference among themselves.
Transferability:	The Note is freely transferable in whole or in part.
Redemption:	The Company shall redeem all outstanding principal amount of the Note on the Maturity Date of the Note. The redemption price payable by the Company to the Noteholder on the Maturity Date is equal to an aggregate price of (i) the outstanding principal amount on the Maturity Date of the Note, (ii) all accrued and unpaid interest and handling fee and unpaid default interest (if any), and all of such interest shall only be in respect of such outstanding principal amount of the Note to be redeemed, and (iii) all other outstanding amounts payable by the Company to the Noteholders.
Company's early redemption:	The Company may, prior to the Maturity Date of the Note from and including the date falling 12 months from the date of issue redeem the outstanding principal amount of the Note, with all amounts of accrued interest, handling fee and all other outstanding amount payable by the Company to the Noteholder, and without penalty.
Noteholder's redemption right for events of default:	The Company must redeem the Note in full upon the issuance of a notice of redemption by the Noteholder after the occurrence of an event of default at the redemption price of (i) the outstanding principal amount of the Note, and (ii) such amount as would result in an internal rate of return of 22% per annum on the outstanding principal amount of the Note from its issue date up to and including the date of full payment of the redemption price (inclusive of interests and handling fees paid).
Covenants and Undertakings	Each of the parties to the Note Instrument agrees to procure, among others, the following key covenants and undertakings, as long as any part of the Note is outstanding: <ul style="list-style-type: none"> (a) no member of the Group will enter into or expand any business outside the existing scope of its business where it will have a material adverse effect, change the scope of the existing principal business or cease carrying on the business;

- (b) no member of the Group will sell, dispose or create any encumbrances over any of its present or future assets, unless it is pursuant to the Note or other related transaction documents.
- (c) no encumbrance will be created by the Guarantors over the Shares directly or indirectly owned by them, without the prior written consent of the Investor;
- (d) the Company shall maintain a listing for all the issued Shares on the Stock Exchange;
- (e) each member of the Group shall carry on its business as a going concern and act only in its ordinary course of business consistent with past practice;
- (f) other than inter-group loans, no member of the Group will make any borrowings or incur any liabilities other than in the ordinary course of its business consistent with past practice;
- (g) except for the benefit of the Group's business, no member of the Group will approve or otherwise enter into agreement with other parties in relation to acquisition, merger or disposal of securities, assets and business, consolidation, establishment of joint venture enterprises, or partnership enterprises;
- (h) no member of the Group will be dissolved, liquidated, reorganized, restructured or recapitalized except for the sole purpose of giving effect to the Note Instrument or other related transaction documents;
- (i) the ratio of the consolidated total assets over the consolidated net asset value of the Group is not more than two (2);
- (j) each of the Company and Novel Blaze undertakes to give the first right of refusal to engage the Investor to act as its financial advisers in relation to its mergers and acquisition activities undertaken by them upon the execution of the Subscription Agreement until the Maturity Date of the Note and thus, given the fee and the terms of engagement offered by the Investor to the Company are the same as other financial advisers, the Company shall engage the Investor as its financial adviser.
- (k) Mr. Sun remain as an executive director of the Company; and
- (l) The consolidated asset value is not less than RMB220,000,000.

Handling fee: 1% per annum, accrued from day to day on a 365 days basis payable in arrears with successive interest periods of 6 months until the Maturity Date of the Note or if earlier, the exercise of the Noteholder's redemption rights or the Company's Redemption Right.

Principal terms of the Convertible Bonds

The principal terms of the Convertible Bonds are summarized below:

Issuer: The Company

Principal Amount: HK\$20,000,000

Number of Conversion Shares: Based on the initial Conversion Price of HK\$0.85 per Conversion Share and assuming that there will not be any change in the issued share capital of the Company before the exercise of the conversion rights in full (other than the issue of the Conversion Shares), upon the exercise of the conversion rights in full, approximately 23,529,411 Conversion Shares will be issued, representing approximately 2.9% of the existing issued share capital of the Company and approximately 2.9% of the issued share capital as enlarged by the allotment and issue of the Conversion Shares.

Term: A term of one year and including the date of issue of the Convertible Bonds. Provided that the Company's EBITDA for the financial year before the end of the Term is not less than RMB52,000,000 and the Consolidated Net Asset Value is not less than RMB220,000,000, the Bondholder shall extend the Convertible Bond (in whole or in part) on the same terms and conditions of the Convertible Bond, for a further period of one year commencing from the last day of the Term or if applicable, extend for a further term of one year (the "**Extended Term**"), provided that the Convertible Bondholder may only make up to two (2) extensions under this Condition and the aggregate extended term for the above extensions shall not exceed two years.

Subscription Price: Each Convertible Bond carries the right to convert Shares at an initial Subscription Price of HK\$0.85 per Conversion Share, subject to anti-dilution adjustments share consolidation or subdivision, capitalization of profits or reserve, distributions, right issues of shares or options over shares, right issues of other securities, issues of securities less than then current market price, modification of right of conversion and other offers to shareholders of the Company

Conversion Period: The conversion rights attaching to the Convertible Bonds may be exercised at any time during the term of the Convertible Bonds

Status:	The Convertible Bonds will be constituted by way of certificate. The Convertible Bonds will rank <i>pari passu</i> without any preference among themselves.
Form:	The Convertible Bonds will be issued upon Completion in registered form.
Interest:	7.5% per annum, accrued from day to day on a 365 days basis payable in arrears with successive interest periods of 6 months until the Maturity Date of the Convertible Bonds or if earlier, the exercise of the Bondholder's redemption rights or the Company's redemption right.
Default interest:	21% per annum of the overdue amount
Handling fee:	1% per annum, accrued from day to day on a 365 days basis payable in arrears with successive interest periods of 6 months until the Maturity Date of the Convertible Bonds or if earlier, the exercise of the Bondholder's redemption rights or the Company's redemption right.
Rights of the Conversion Shares:	The Conversion Shares that fall to be issued upon the exercise of the conversion rights attaching to the Convertible Bonds will rank <i>pari passu</i> in all respects with the Shares in issue on the relevant date of registration of the name of the relevant holder(s) of the Convertible Bonds on the register of members of the Company as holder of such Conversion Shares.
Transferability:	The Convertible Bonds are freely transferable in whole or in part
Denomination:	HK\$5,000,000
Rights of Bondholders:	The Bondholders will not have any right to attend or vote at any meeting of the Company by virtue of them being the Bondholders. The Bondholder shall not have the right to participate in any distributions and/or offers of further securities made by the Company.
Redemption on Maturity:	Each Convertible Bond outstanding shall be redeemed by the Company on the Maturity Date of the Convertible Bonds at the redemption price, being an aggregate price of (i) the outstanding principal amount of the Convertible Bonds on the Maturity Date of the Convertible Bonds, (ii) 17.5% of the said outstanding principal amount (exclusive of interest) multiplied by the Term or the Extended Term (as applicable) expressed in years for the redemption of the portion of the Convertible Bond which has not been converted into Shares, (iii) all accrued and unpaid interest and handling fee and unpaid default interest (if any) accrued, in respect of such outstanding principal amount of the Convertible Bond to be redeemed, and (iv) all other outstanding amounts payable by the Company to the Bondholder.

Security:	The Convertible Bonds will have the benefit of the security constituted by the Rich Kirin Share Charge, the Big Wealth Share Charge and the Guarantee.
Company's early redemption right	<p>Subject to the Note having been redeemed in full, the Company shall have the right to redeem all (but not part of) the outstanding principal amount in respect of the Convertible Bond at the redemption price at any time during the period between the first day of the twelfth (12th) month following the date of issue of the Convertible Bonds and the last day immediately preceding the Maturity Date of the Convertible Bonds.</p> <p>The redemption price payable by the Company for early redemption of the Convertible Bonds shall be the amount equivalent to the sum of (i) the outstanding principal amount of the Convertible Bonds, (ii) such amount as would result in an internal rate of return of 12% per annum on the outstanding principal amount of the Convertible Bond from the Issue Date of the Convertible Bond up to (and including) the date of payment of the redemption price by the Company (inclusive of all interest and handling fees paid, (iii) all accrued and unpaid interest, (iv) all accrued and unpaid handling fee accrued, and (v) all other outstanding amounts payable by the Company to the Bondholder.</p>
Bondholder's redemption right for events of default	The Company must redeem the Convertible Bonds in full upon the issuance of a notice of redemption by the Bondholder(s) after occurrence of an event of default at the redemption price equivalent to the sum of (i) the outstanding principal amount of the Convertible Bond, (ii) such amount as would result in an internal rate of return of 22% per annum on the outstanding principal amount of the Convertible Bonds from the date of issue thereof up to and including the date of redemption (inclusive of all interest paid, handling fees and the default interest payable by the Company hereunder), (iii) all accrued and unpaid interest; (iv) all accrued and unpaid handling fee, and (v) all other outstanding amounts payable by the Company to the Bondholder.

Basis of pricing of the Convertible Bonds:

The initial Conversion Price of HK\$0.85 per Conversion Share represents:

- (i) a discount of approximately 10.53% to the closing price of HK\$0.95 per Share quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 10.71% to the average of the closing prices of HK\$0.952 per Share for the last five consecutive trading days for the Shares prior to the Last Trading Day; and
- (iii) a premium of approximately 93.18% over the audited net asset value per Share attributable to the Shareholders of approximately HK\$0.44 as at 31 December 2014.

The Conversion Price was determined after arm's length negotiations between the Company and the Investor, taking into account the recent trading prices of the Shares. The Directors consider that the Conversion Price is fair and reasonable and in the best interest of the Company and the Shareholders as a whole.

General Mandate for issue of the Conversion Shares

The Conversion Shares will be allotted and issued under the General Mandate granted to the Directors at the annual general meeting of the Company held on 28 May 2015 subject to the limit of 160,000,000 Shares (representing 20% of the aggregate nominal amount of the share capital of the Company in issue on that date). Thus, the Convertible Bond Subscription is not subject to the approval of the Shareholders of the Company.

The 23,529,411 Conversion Shares, to be allotted and issued upon full exercise of the conversion rights attaching to the Convertible Bonds, will utilise approximately 14.7% of the General Mandate. The General Mandate has not been previously utilized prior to the Convertible Bond Subscription.

Application for listing of Conversion Shares

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares which may fall to be allotted and issued upon exercise of the purchase rights attaching to the Convertible Bonds. No listing of the Convertible Bonds will be sought on the Stock Exchange or any other stock exchanges.

Conditions Precedent for the Subscriptions

The obligation of the Investor under the Subscription Agreement is conditional on, among other matters, the fulfillment of the following conditions:

- (i) the execution and delivery of the Subscription Agreement, the Convertible Bond Instrument, the Guarantee, the Share Charges and any other documents relating to the transaction contemplated therein in form and substance satisfactory to it;
- (ii) the representations and warranties of the Company and the Guarantors contained in the Subscription Agreement remains true, complete and accurate on the date of completion of the Subscription Agreement;
- (iii) the Investor is satisfied with (i) the due diligence investigations with respect to the Group; and (ii) all "Know Your Client" and anti-money laundering checks and all other customer due diligence requirements with respect to the Group, and the entering into the transactions contemplated under the Subscription Agreement and other transaction documents;
- (iv) the Investor having obtained all necessary internal approvals and the investment committee of the Investor in respect of the subscription of the Convertible Bonds as set forth in the Subscription Agreement;

- (v) each of the Company and the Guarantors having (i) duly complied with all requirements under the applicable laws and constitutional documents necessary for the validity and enforceability of the Subscription Agreement and other transaction documents and the issue of Convertible Bonds and the grant of the Convertible Bonds; (ii) duly completed all procedural requirements required by any relevant governmental authority and constitutional documents in connection with the signing of the Subscription Agreement and other transaction documents and the issue of Convertible Bonds and the grant of the Convertible Bonds; and (iii) obtained all consents and approvals by the relevant governmental authority and under the constitutional documents in connection with the signing of the Subscription Agreement and other transaction documents and the issue of Convertible Bonds;
- (vi) there being no action by the relevant governmental authority or other person that would challenge or adversely affect the subscription for Convertible Bonds, or other transactions contemplated by the Subscription Agreement and other transaction documents;
- (vii) the announcement in relation to the issuance of the Convertible Bonds having been made in accordance with the applicable rules and regulations;
- (viii) there shall not have been any suspension of the trading of the Shares on the Hong Kong Stock Exchange for any reason during the period between the date of the Subscription Agreement and the date of Completion (save for the purposes of clearing an announcement in respect of the Note, the Issue of the Convertible Bonds and any transaction which is of a routine nature resulting in a temporary suspension of trading for not more than three (3) consecutive Business Days, or any suspension of trading in connection with the clearance for any announcement(s) as required by the Listing Rules for the purposes of Chapters 13, 14 and 14A of the Listing Rules for not more than five (5) consecutive Business Days) or cessation of trading of the Shares on the Stock Exchange for any reason;
- (ix) the approval for the listing of and the permission to deal in the new Shares issuable upon the exercise of the conversion right under the Convertible Bonds on the Stock Exchange shall have been obtained;
- (x) there being no material adverse change in the principal business etc of the Group, nor the happening of events which may have a material adverse effect to the Group; and
- (xi) there shall not have occurred any change in national or international financial, political or economic conditions which is or is likely to have a material adverse effect to the Group.

In the event that the above conditions are not fulfilled or waived on or before the Long Stop Date or such later date as may be agreed between the Company and the Investor in writing, the Investor may, in its absolute discretion, terminate the Subscription Agreement whereupon the Subscription Agreement shall lapse and become null and void and the Investor shall be released from all rights, obligations and liabilities under the Subscription Agreement, save for any liabilities for any antecedent breaches thereof. The Investor may, at its absolute discretion, waive compliance with any or all of the Conditions Precedent set out above as the Investor may deem fit provided always that no such waiver shall prejudice the Investor's rights hereunder.

Event of default under the Note Instrument and the Convertible Bonds

The major events of default under the Note Instrument and the Convertible Bonds include, among others:

- (a) the Company fails to pay any amount which falls due in accordance with the Note Instrument or the Convertible Bonds (including but not limited to the interest payment);
- (b) any representation or warranty given by the Company or any other party in any of the transaction documents is inaccurate, misleading or untrue in any respect;
- (c) the Company or any other party does not perform or comply with any provision under any transaction document;
- (d) any of the Group Companies (i) is insolvent or bankrupt or unable to pay its debts, (ii) stops, suspends, or threatens to stop or suspend, payment of all or a material part of its debts due to financial difficulties, (iii) proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of its debts (or of any part which it will or might otherwise be unable to pay when due) or (iv) proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of the debts of the Company or any of its subsidiaries;
- (e) any other present or future indebtedness (whether actual or contingent) of the Company or any of its subsidiaries for or in respect of moneys borrowed or raised is not paid when due or, as the case may be, within any applicable grace period, or the Company or any of its subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised;
- (f) a distress, attachment, execution, seizure before judgment or other legal process is levied, enforced or sued out on or against any part of the property, assets or turnover of the Group;
- (g) an order is made or an effective resolution passed for the winding-up or dissolution or administration of any member of the Group (except for a members' voluntary solvent winding up), except for the purpose of, and followed by, a reconstruction, amalgamation, reorganisation, merger or consolidation (a) on terms approved by the Noteholders, or (b) in the case of such member of the Group, whereby the undertaking and assets of such member of the Group are transferred to or otherwise vested in the Company or another member of the Group;
- (h) an encumbrancer takes possession or a receiver, manager, administrator, liquidator or other similar officer is appointed, of the whole or any material part of the property, assets or turnover of the Company or any of its subsidiaries (as the case may be);

- (i) any step is taken by any governmental authority which is likely to result in the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of any member of the Group; or any member of the Group is prevented from exercising normal control over all or any substantial part of its property, assets and turnover;
- (j) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Company lawfully to enter into, exercise its rights and perform and comply with its obligations under the Note or the Convertible Bonds, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Note or the Convertible Bonds admissible in evidence in the courts of the Cayman Islands or British Virgin Islands or Hong Kong is not taken, fulfilled or done;
- (k) it is unlawful for the Company to perform or comply with any one or more of its obligations under the Note or the Convertible Bonds or the Convertible Bonds;
- (l) any event occurs which has effect of change of control (within the meaning of the Hong Kong Code on Takeovers and Mergers);
- (m) the Group fails to comply with or pay any sum due from it under any final judgment or any final order made or given by any court or arbitration institute of competent jurisdiction;
- (n) the Company or any of its subsidiaries fails to comply with or pay any sum due from it under any final judgment or any final order made or given by any court or arbitration institute of competent jurisdiction;
- (o) there is happening of events which may have a material adverse effect;
- (p) if the trading of the Shares on the Stock Exchange is suspended as a result for any reason, including without limitation, material adverse market disclosure by the Company or any disciplinary actions taken by a regulatory body against the Company and such suspension continues for three (3) consecutive Trading Days, unless approved by the Noteholders;
- (q) the Shares cease to be listed or admitted to trading on the Stock Exchange;
- (r) there is, or is agreed to be, any transfer of all or substantially all of the assets of the Group as a whole;
- (s) the auditors of the Company are unable to prepare the audited accounts of the Company or issue an opinion other than an unqualified opinion in respect of such audited accounts which will materially adversely affect the operation of the Group as a whole;
- (t) the ratio of the consolidated total assets over the consolidated net asset value of the Group is more than two (2);

- (u) the consolidated net asset value is less than RMB220,000,000;
- (v) any encumbrance has been created by Mr. Sun or Novel Blaze over the Shares directly or indirectly owned by any of them, except those with the prior written consent of the Investor;
- (w) Mr. Sun ceases to be an executive director of the Company;
- (x) the Company disposes of its material assets (or any interest therein) or contracts to do so; and
- (y) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs.

Completion of the Subscriptions

The Note and the Convertible Bonds will be issued to the Investor on the same Business Day of fulfillment or waiver (as the case may be) of the conditions precedent or at such other day as the Company and the Investor may agree in writing.

Undertakings

Pursuant to the Subscription Agreement, the Company, Mr. Sun and Novel Blaze have given, among others, the following undertakings:

- (a) So long as the Note and the Convertible Bonds remain outstanding, without the prior written consent of the Investor, each of the Company, Rich Kirin, Big Wealth, Mr. Sun and Novel Blaze (the “**Obligors**”) shall not, and shall procure the member of the Group not to, create any encumbrance over any of its present or future assets or proceeds (including its shareholdings on other companies) to any third party or contract to do so for guarantees or contingent payment obligations of any member of the Group in respect of financial debt of third parties.
- (b) No encumbrances has been created by Mr. Sun and Novel Blaze over the Shares directly or indirectly owned by them, except those with the prior written consent of the Investor;
- (c) The Company shall ensure at all times that:
 - (i) the consolidated net asset value of the Group is not less than RMB220,000,000;
 - (ii) the ratio of the consolidated total assets over the consolidated net asset value of the Group is not more than 2; and
 - (iii) Mr. Sun shall remain as an executive director of the Company.

- (d) Each of the Company and other Obligors undertakes to give the first right of refusal to engage the Investor to act as its financial advisers in relation to its mergers and acquisition activities undertaken by them upon the execution of the Subscription Agreement until the Maturity Date of the Convertible Bonds and thus, given the fee and the terms of engagement offered by the Investor to the Company are the same as other financial advisers, the Company shall engage the Investor as its financial adviser.
- (e) Each of the Obligors further undertakes that, after execution of the Subscription Agreement and before the Completion, each of them shall provide all relevant information to the Investor, upon its reasonable request, to the extent permitted by the applicable laws and in compliance with any confidentiality obligation to which the Group is subject, for the purpose of identifying any event which may have a material adverse effect.

Share Charges and Guarantee

The due and punctual performance and observance by the Company, Rich Kirin, Big Wealth, Mr. Sun and Novel Blaze of their respective obligations under the Subscription Agreement, the Note, the Convertible Bonds, the Guarantee, the Share Charges and other documents are secured by the Share Charges and the Guarantee.

REASONS FOR THE ISSUE OF THE NOTE AND THE ISSUE OF THE CONVERTIBLE BONDS

The Company is an investment holding company. The Group is principally engaged in the design, manufacture, printing and sale of paper-based packaging materials. The reasons for the Note are to increase the working capital and to enhance the financial flexibility of the Company. The issue of the Convertible Bonds is pertaining to the issue of the Note.

The Board considers that the issue of both the Note and the Convertible Bonds are an appropriate means of fund raising for the Company as it does not have any immediate dilution effect on the shareholding of the existing Shareholders.

The Board considers that the issue of Note and the issue of Convertible Bonds provide opportunities for the Group to strengthen the Group's capital base and financial position to better equip the Group with the financial flexibility for development of the business of the Group.

The Directors (including the independent non-executive Directors) consider that the terms of the Subscription Agreement in relation to the issue of the Convertible Bonds and Note and the respective term of the Convertible Bonds and the Note are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

It is expected that a respective gross proceeds of HK\$80,000,000 and HK\$20,000,000 will be raised by the issue of the Note and the issue of Convertible Bonds and the net proceeds of approximately HK\$98,400,000 arising therefrom will be utilised by the Group as firstly, payment of any fees, costs and expenses under, or in connection with the Subscription Agreement; and secondly, for capital expenditure (including those related to mergers and acquisitions) and financing the general working capital of the Group. The Company undertakes to the Investor that unless prior written consent of the Investor has been obtained, the proceeds shall not be used otherwise than as specified aforesaid.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Conversion Shares to be issued upon the exercise of all Convertible Bonds, when aggregated with all other equity securities which remain to be issued on exercise of all other subscription rights, will not exceed 20% of the issued share capital of the Company.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The Company has not conducted an equity fund raising activity in the 12 months immediately preceding the date of this announcement.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming there being no other changes in the share capital of the Company, the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after exercise of the conversion rights attaching to the Convertible Bonds in full (assuming that there will not be any change in the issued share capital of the Company before the exercise of such purchase rights) are as follows:

Shareholders	As at the date of this announcement		Immediately after exercise of the conversion rights attaching to the Convertible Bonds in full (assuming that there will not be any change in the issued share capital of the Company before the exercise of such conversion rights)	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Novel Blaze (<i>Note 1</i>)	408,000,000	51.0	408,000,000	49.5
Mr. Zhuo Long Wong	68,180,000	8.5	68,180,000	8.3
Qi Yuan Asset Management (H.K.) Limited	58,450,000	7.3	58,450,000	7.1
Mr. Wu Shifa	51,000,000	6.4	51,000,000	6.2
Bondholders	—	—	23,529,411	2.9
Other public Shareholders	214,370,000	26.8	214,370,000	26.0
Total	<u>800,000,000</u>	<u>100.00</u>	<u>823,529,411</u>	<u>100.00</u>

Note:

- Mr. Sun Shao Hua, being the executive Director, is the beneficial owner of the entire issued share capital of Novel Blaze.

Completion of the issue of the Note and the issue of the Convertible Bonds is subject to the satisfaction of the conditions precedent under the Subscription Agreement. As the issue of the Note and the issue of the Convertible Bonds may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms and expressions have the following meanings

“Big Wealth”	Big Wealth Limited (大富有限公司), a company incorporated in the BVI and an indirect wholly-owned subsidiary of the Company
“Big Wealth Share Charge”	the charge of all shares, rights, entitlements, interests and benefits in the Big Wealth by Rich Kirin in favour of the Investor as security for all sums due and payable under the Subscription Agreement, the Note, the Convertible Bonds and other relevant documents
“Board”	the board of Directors
“Bondholder(s)”	holder(s) of the Convertible Bond(s)
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“BVI”	British Virgin Islands
“Company”	China Packaging Holdings Development Limited (中華包裝控股發展有限公司), a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the issue of the Note and the issue of the Convertible Bonds
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Conversion Period”	the period from the date of issue of the Convertible Bonds to the Maturity Date of the Convertible Bonds
“Conversion Price”	the initial conversion price of HK\$0.85 per Conversion Share upon the Bondholders exercise of conversion rights under the Convertible Bonds (subject to normal adjustment)

“Conversion Share(s)”	up to initially 23,529,411 new Share(s) to be allotted and issued upon exercise in full of the conversion rights attaching to the Convertible Bond(s)
“Convertible Bond(s)”	the convertible bond(s) in the aggregate principal amount of HK\$20,000,000 to be issued by the Company pursuant to the Subscription Agreement
“Convertible Bond Subscription”	the subscription of the Convertible Bonds
“Director(s)”	director(s) of the Company for the time being
“EBITDA”	means for any relevant period for any entity, the net income for such period (without giving effect to (i) any extraordinary gains, (ii) any non-cash income, and (iii) any gains or losses from sales of assets other than inventory sold in the ordinary course of business) adjusted by adding thereto the amount of total interest, tax expense and all depreciation and amortization expense of such entity determined on a consolidated basis for such period; and fair value change on derivative financial instruments
“General Mandate”	general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company convened and held on 28 May 2015
“Group”	the Company and its subsidiaries and the term “Group Company(ies)” shall be construed accordingly
“Guarantee”	the deed of guarantee duly executed by the Guarantors
“Guarantors”	Mr. Sun and Novel Blaze, acting as guarantors in respect of the punctual performance by the Company of all its obligations under the Subscription Agreement and its ancillary documents
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	party(ies) which is/are not connected person(s) of the Company and is/are independent of the Company and its connected persons

“Investor”	Chance Talent Management Limited, a limited company incorporated under the laws of the BVI, acting as the initial investor, as well as an agent and trustee for subsequent transferees of the Note and the Convertible Bonds
“Last Trading Day”	10 June 2015, being the last trading day for the Shares before the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 June 2015 or any other dates as agreed in writing between the Investor and the Company
“Maturity Date of the Convertible Bonds”	the last day of the Term or the Extended Term (as the case may be), or any such other date as mutually agreed between the Company and the Bondholder
“Maturity Date of the Note”	the last day of the Term or the Extended Term (as the case may be), or any such other date as mutually agreed between the Company and the Noteholder
“Mr. Sun”	Mr. Sun Shao Hua (孫少華), the chairman and a director of the Company
“Note”	the 7.5 per cent secured note in the aggregate principal amount of HK\$80,000,000 due on the Maturity Date of the Note
“Note Instrument”	a separate instrument to be executed by the Company by way of a deed poll containing terms of the Note
“Noteholder(s)”	the person(s) in whose name the Note is registered
“Novel Blaze”	Novel Blaze Limited (嶄亮有限公司), a company incorporated in the BVI and wholly owned by Mr. Sun
“PRC”	the People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“Rich Kirin”	Rich Kirin Holdings Limited (富麟控股有限公司), a company incorporated in the BVI and a direct wholly-owned subsidiary of the Company

“Rich Kirin Share Charge”	the charge of all shares, rights, entitlements, interests and benefits in the Rich Kirin by the Company in favour of the Investor as security for all sums due and payable under the Subscription Agreement, the Note, the Convertible Bonds and other relevant documents
“Shareholder(s)”	holders of the Share(s)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Charges”	collectively Big Wealth Share Charge and Rich Kirin Share Charge
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriptions”	the subscriptions of the Note and the Convertible Bonds
“Subscription Agreement”	the subscription agreement entered into among the Company, the Investor, the Guarantors, Rich Kirin and Big Wealth dated 10 June 2015 in relation to the Subscription
“Trading Day”	a day when the Stock Exchange is open for dealing business, provided if no closing price is reported for one or more consecutive dealing days, such day or days will be disregarded in any relevant calculation and shall be deemed not have existed when ascertaining any period of dealing days
“%”	per cent.

By order of the Board
China Packaging Holdings Development Limited
Chen Wei Wei
Chairman

Jiangxi Province, the PRC, 10 June 2015

As at the date of this announcement, the executive Directors are Mr. Chen Wei Wei (Chairman), Mr. Sun Shao Hua and Ms. Hu Li Yu; and the independent non-executive Directors are Mr. Liu Da Jin, Mr. Ma Yiu Ho, Peter and Mr. Wu Ping.