

ASX Announcement

Paragon Care Limited (ASX: PGC)

27 August 2018

AU\$45.2m strategic equity placement to China Pioneer

Transaction Highlights

- **AU\$45.2m investment in PGC by Stock Exchange of Hong Kong-listed China Pioneer Pharma Holdings Limited (China Pioneer, <http://www.pioneer-pharma.com/>)**
- **Placement of 50.4m shares at AU\$0.91 per share¹ to China Pioneer equal to 15% of PGC's issued capital**
- **China Pioneer is a leading distributor of medical devices and equipment together with pharmaceutical products throughout mainland China**
- **PGC and China Pioneer intend to explore cross selling opportunities for their respective products and services**
- **Proceeds will be used to fund near term acquisitions of complementary healthcare businesses in Australia and New Zealand**

Paragon Care Limited (ASX:PGC) ("**Paragon**" or "**PGC**"), a leading distributor of high quality medical equipment, devices and consumables, is pleased to announce a share placement to China Pioneer Group ("**Placement**"), a leading distributor of medical devices and equipment, and pharmaceutical products in China.

The Placement will involve the issue of 50,418,386 fully paid ordinary shares in Paragon over two tranches with 16,483,517 shares being settled on 14 September 2018 and the balance of 33,934,869 shares being settled on or before 15 November 2018. The staged payments reflect the likely timing of Paragon's upcoming acquisitions. Shares will be issued at a price of AU\$0.91 per share¹.

The Placement shares are being issued in accordance with ASX Listing Rules 7.1 and 7.1A using Paragon's existing placement capacity. Shareholder approval is not required and will not be obtained in connection with the Placement. New shares issued to China Pioneer will rank equally with existing Paragon shares on issue at the time the Placement shares are issued. Following completion of tranche 1 of the Placement, Paragon will have 302,187,702 shares on issue and China Pioneer will hold 5.45% of those shares.

¹Second tranche price to be reduced for the 2.0 cent dividend for FY2018 declared by Paragon in its financial results announcement dated 27 August 2018

PGC Chairman, Shane Tanner stated:

“We are delighted to welcome China Pioneer onto our share register. This investment represents a pleasing validation of PGC’s strategy of building a sustainable growth platform to take advantage of the structural and demographic tailwinds underpinning the Australian and New Zealand health care sectors. We look forward to exploring with China Pioneer the opportunities which may open up for both companies as a result of this investment.”

China Pioneer Chairman, Mr Paul Li stated:

“This placement represents our first investment into the Australian and New Zealand healthcare sector. It is a great privilege for us to become a shareholder in Paragon Care, an Australian success story. We are impressed by what Paragon has achieved over the past 9 years and look forward to being part of the Company’s ongoing success and growth in the future. We are excited by the potential cross selling benefits for both companies.”

The Placement is expected to create significant cross border synergies through opening market and product opportunities for both companies.

Bell Potter acted as corporate advisor to Paragon for the transaction and Perpetuity Capital acted as corporate advisor to China Pioneer.

Acquisitions

PGC intends to apply the funds raised under the Placement in the short term to fund two acquisitions, both of which are at advanced stages but are not yet subject to binding contracts (“**Acquisitions**”).

The Acquisitions are in line with Paragon’s strategic objectives of:

- Expanding geographic presence into previously under serviced regions (i.e. Queensland and New Zealand);
- Diversifying Paragon’s offering toward recurring consumable and service revenue streams; and
- Acquiring businesses with customer relationships/contracts which present opportunities for cross selling products and services from Paragon’s existing portfolio.

Following the Placement, Paragon expects to be in a strong financial position, with sufficient balance sheet capacity to complete the Acquisitions.

China Pioneer

Founded in 1996, China Pioneer is one of the largest importers and distributors of pharmaceutical products and medical devices in China. China Pioneer has been listed on the main board of the Hong Kong Stock Exchange (SEHK: 1345) since November 2013 with a current market capitalisation of HKD 2.34b (AU \$415m) as at 24 August 2018.

China Pioneer has a portfolio of over 30 prescription pharmaceutical products and medical devices across ophthalmology, cardiovascular, orthopaedics, gynaecology, dental, gastro-intestinal and osteoarthritis.

China Pioneer distributes its products and devices through a broad network of sales representatives, distributors and partners across mainland China. China Pioneer's capability includes:

- Over 260 in-house marketing and promotion employees and 1000 third party promotion partners;
- Products sold across mainland China into 30,000 hospitals and medical institutions and 108,000 pharmacies.

In the year to 31 December 2017 China Pioneer achieved revenue of RMB \$2.2bn (AU \$424m²) and net profit of RMB \$280m (AU \$55m²).

Market update

Today Paragon also announced its financial results for the year ended 30 June 2018. Please refer to the separate ASX announcement for further details.

Timetable

Please refer to Annexure 1 for the indicative timetable in respect of the Placement.

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About Paragon Care Limited

Paragon Care (ASX: PGC) is a Melbourne based listed company which has progressively acquired businesses in the healthcare sector. It is a leading provider of medical equipment, devices and consumables for Australian and New Zealand healthcare markets. These are high growth markets driven by the ageing of the population, continuously rising consumer expectations and increasing government spending. By combining a series of strategic acquisitions of class leading companies, Paragon Care has positioned itself to provide end to end solutions including equipment and consumable solutions for acute, aged and primary care.

² At a historical AUD/RMB exchange rate of 0.197 at 31 December 2017

Important information

This announcement contains certain "forward-looking statements". Forward looking statements can generally be identified by the use of the words "expect", "anticipate", "estimate", "intend", "believe", "guidance", "should", "could", "may", "will", "predict", "plan" and other similar expressions. Forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Paragon, its directors and management, that may cause actual results to differ materially from those expressed or implied in such statements. Forward-looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance.

Annexure A Indicative Timetable

Key event	Date
Announcement of Placement	Monday, 27 August 2018
Settlement and allotment of Tranche 1 Placement shares	Friday, 14 September 2018
Release to ASX of Tranche 1 Appendix 3B and Cleansing Notice	Monday, 17 September 2018
Settlement and allotment of Tranche 2 Placement shares	On or before Thursday, 15 November 2018
Release to ASX of Tranche 2 Appendix 3B and Cleansing Notice	On or before Friday, 16 November 2018

All dates and times are indicative only and subject to change. Unless otherwise specified, all times and dates refer to AEST. Any changes to the timetable will be posted on Paragon's website at <https://www.paragoncare.com.au>