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CHINA PIONEER PHARMA HOLDINGS LIMITED

中国先锋医药控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01345)

CONNECTED TRANSACTION

CAPITAL INCREASE TO TARGET COMPANY

On 23 February 2022, Xiantao Pharma, a subsidiary of the Company, Tiandao Medical (天道醫療) and Mr. Xiao Guoguang entered into a Capital Increase Agreement, pursuant to which, Xiantao Pharma intends to increase the capital of the Target Company by RMB27.5 million and hold 55% of its interests. After the completion of the Capital Increase, the registered capital of the Target Company will increase from RMB20 million to RMB50 million, and Xiantao Pharma, Tiandao Medical and Mr. Xiao will hold 55%, 39% and 6% of its issued share capital respectively. After the completion of the Capital Increase, the Target Company will become a subsidiary of the Company.

Tiandao Medical is wholly and jointly owned by the father-in-law and the mother-in-law of Mr. Li, the Chairman, an executive director and controlling shareholder of the Company and Mr. Xiao is an executive Director of the Company. Therefore, Tiandao Medical and Mr. Xiao are connected persons of the Company. Accordingly, the Capital Increase by Xiantao Pharma in the Target Company under the Capital Increase Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the percentage ratios applicable to the Capital Increase exceeds 0.1% but is less than 5%, the Capital Increase is subject to reporting and announcement requirements but is exempted from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND

On 23 February 2022, Xiantao Pharma, a subsidiary of the Company, Tiandao Medical and Mr. Xiao entered into a Capital Increase Agreement, pursuant to which, Xiantao Pharma intends to increase the capital of the Target Company by RMB27.5 million and hold 55% of its interests. After the completion of the Capital Increase, the registered capital of the Target Company will increase from RMB20 million to RMB50 million, and Xiantao Pharma, Tiandao Medical and Mr. Xiao will hold 55%, 39% and 6% of its issued share capital respectively.

THE CAPITAL INCREASE AGREEMENT

Date

23 February 2022

Parties

- Xiantao Pharma
- Tiandao Medical
- Xiao Guoguang (“**Mr. Xiao**”)

Tiandao Medical is wholly and jointly owned by Ms. Lu Li (陸麗) (“**Ms. Lu**”) and Mr. Wu Changtai (吳昌泰)(“**Mr. Wu**”). Mr. Wu and Ms. Lu are the father-in-law and the mother-in-law of Mr. Li Xinzhou (“**Mr. Li**”), the Chairman, an executive Director and controlling shareholder of the Company. Mr. Xiao is an executive Director of the Company. Therefore, Tiandao Medical and Mr. Xiao are connected persons of the Company.

Capital Increase

It is proposed that the Target Company increases its registered capital to RMB50 million. Tiandao Medical and Mr. Xiao agreed to waive their rights of first refusal and accept Xiantao Pharma as a new shareholder to invest RMB27.5 million in cash to, and hold 55% of the interests in, the Target Company. Tiandao Medical, as the original shareholder of the Target Company, will increase its investment in the Target Company from RMB18.8 million to RMB19.5 million by way of making additional cash contribution of RMB700,000 to, and hold 39% of the interests in, the Target Company. Mr. Xiao will increase its investment in the Target Company from RMB1.2 million to RMB3 million by way of contribution of his proprietary technology or patents (the value determined by a third party valuation firm), and hold 6% of the interests in the Target Company.

The amount of Capital Increase contributed by Xiantao Pharma to the Target Company is based on the registered capital of the Target Company, and after thorough consideration of the quality of Target Company's asset, its growth potential, market conditions and future synergies with the Company, and was negotiated and determined on an equal and fair basis. The Capital Increase will be financed by the internal resources of the Group.

Before and after the completion of the Capital Increase, the share capital structure of the Target Company is as follows:

	Before the completion of the Capital Increase		After the completion of the Capital Increase	
	capital contribution RMB	percentage of the shareholding	capital contribution RMB	percentage of the shareholding
Tiandao Medical	18.8 million	94%	19.5 million	39%
Mr. Xiao	1.2 million	6%	3 million	6%
Xiantao Pharma	–	–	27.5 million	55%

Upon the completion of the Capital Increase, the Target Company will become a subsidiary of the Company.

Board of Directors and Management

Upon the completion of this Capital Increase, the board of directors of the Target Company will be comprised of three directors. It is proposed Mr. Li will take office as Chairman and the management of the Target Company will be appointed and managed by the Chairman.

Effectiveness and completion

Tiandao Medical and Mr. Xiao have undertaken to complete all necessary procedures with the competent state administration for industry and commerce as soon as possible after entering into the Capital Increase Agreement in order to complete the Capital Increase.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company with limited liability incorporated in China, which is a conglomerate covering research and development of environmental protection technology, industrial production, and marketing and trading. The key projects of the Target Company are the promotion and application of the technology of comprehensive recycling of electroless nickel plating waste and the research and application of complete set of technical equipment for acid-free cleaning of ECD electrocatalytic steel strips.

The technical director (chief expert) of the Target Company is Mr. Xiao. The Target Company passed an achievement appraisal organized by the Chinese Society of Environmental Sciences on 10 June 2021. The achievement was known as the promotion and application of the technology of comprehensive recycling of electroless nickel plating waste, which was rated as an international advanced level. In addition, the Target Company has applied to the State Patent Administration for six invention patents and one utility model patent.

Based on the consolidated financial statements prepared by the Target Company in accordance with the PRC Accounting Standards for Business Enterprises, the unaudited total assets and net assets of the Target Company as at 30 June 2021 were approximately RMB20,930,321.20 and RMB11,356,805.38. The unaudited profits of the Target Company for the two years ended 31 December 2020 are as follow:

	Year ended 31 December 2019	Year ended 31 December 2020
	<i>RMB</i>	<i>RMB</i>
Unaudited profit before tax and extraordinary profits and losses	-1,417,363.35	-3,956,559.09
Unaudited profit after tax and extraordinary profits and losses	-1,417,363.35	-3,956,559.09

REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE

The Capital Increase is in line with the Group's long-term strategic planning and goals, and will help the Group expand its business into the environmental protection industry. As a leader in environment protection industry, Mr. Xiao has a profound understanding of the development of the industry. In addition, the environmental protection industry is an industry being encouraged and supported by national policies and will have promising prospects for growth. The Target Company' self-developed technology of comprehensive recycling of electroless nickel plating waste has a competitive edge of its capacity on recycling of heavy metals, high degree of automation and recyclability; while the complete set of ECD electrocatalytic steel strip acid-free cleaning technology has the characteristics of high speed, low cost and no pollution. With the competitive edges brought by such technologies in the environmental protection industry, the Target Company is expected to bring attractive profits and return for the Group and the Shareholders as a whole.

The Directors (including independent non-executive Directors) consider that the Capital Increase is conducted on normal commercial terms, fair and reasonable, and in the interests of the Company and its shareholders as a whole. Mr. Li and Mr. Xiao were deemed to have interests in this Capital Increase and have abstained from voting in respect of the board resolution approving the Capital Increase.

LISTING RULES IMPLICATIONS

Tiandao Medical is wholly and jointly owned by the father-in-law and the mother-in-law of Mr. Li, the Chairman, an executive director and controlling shareholder of the Company and Mr. Xiao is an executive Director of the Company. Therefore, Tiandao Medical and Mr. Xiao are connected persons of the Company. Accordingly, the Capital Increase by Xiantao Pharma in the Target Company under the Capital Increase Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the percentage ratios applicable to the Capital Increase exceeds 0.1% but is less than 5%, the Capital Increase is subject to reporting and announcement requirements but is exempted from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

The Group

The Company is an investment holding company and its subsidiaries are primarily engaged in the business of providing comprehensive marketing, promotion and channel management services dedicated to imported pharmaceutical products and medical devices in China.

Xiantao Pharma

Xiantao Pharma is a company with limited liability incorporated in China, and are primarily engaged in business of the sale of pharmaceutical products and medical devices.

Tiandao Medical

Tiandao Medical is a company with limited liability incorporated in China. The scope of its core business covers medical supplies, import and export of equipment, import and export of technology and related information consultation, technology transfer, technical consultation and provision of after-sales service.

Mr. Xiao

Mr. Xiao Guoguang, the technical director (chief expert) of the Target Company, was born in June 1963, and holds a doctorate degree in mineral processing engineering from Central South University. He is a professor-level senior engineer, postgraduate tutor and a grantee of special government allowances granted by the State Council for his outstanding achievement.

DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this announcement:

“Board”	the board of Directors
“Capital Increase”	The Capital Increase to the Target Company pursuant to the Capital Increase Agreement
“Capital Increase Agreement”	the “Capital and Share Increase Agreement” for the Capital Increase proposed to be entered into by Xiantao Pharma, Tiandao Medical and Mr. Xiao
“China”	The People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Regions and Taiwan
“Company”	China Pioneer Pharma Holdings Limited (中国先锋医药控股有限公司), an exempted company incorporated with limited liability under the laws of the Cayman Islands, with its shares listed on the Main Board of the Stock Exchange

“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“percentage ratios”	the percentage ratios under Rule 14.07 of the Listing Rules, for the Capital Increase, the percentage ratio of asset test and consideration test are over 0.1% but less than 5%
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Hunan Tiantong Environmental Protection Co., Ltd. (湖南天童環保有限公司), a company with limited liability incorporated in China
“Tiandao Medical”	Tiandao Medical Co., Ltd.
“Xiantao Pharma”	Xiantao Pioneer Pharma Co., Ltd.

In this announcement, the terms “connected person”, “controlling shareholder” and “subsidiary” have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

The English names of Chinese entities included in this announcement are unofficial translations of their Chinese names and are included for identification purposes only.

By order of the Board
China Pioneer Pharma Holdings Limited
 Chairman
LI Xinzhou

Hong Kong, 23 February 2022

As at the date of this announcement, the Directors are Mr. LI Xinzhou, Mr. LUO Chunyi and Mr. XIAO Guoguang as executive Directors, Ms. HU Mingfei as non-executive Director and Mr. ZHANG Hong, Mr. WONG Chi Hung, Stanley and Mr. LAI Chanshu as independent non-executive Directors.