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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)

DISCLOSEABLE TRANSACTION DISPOSAL OF 51% EQUITY INTEREST IN SHENYANG ZHIYING PHARMACEUTICAL CO., LTD.

Reference is made to the announcement of the Company dated 19 November 2014 in relation to the acquisition of shares constituting 51% equity interest in the Target.

Subsequent to the completion of the Acquisition on 30 December 2014, the Group was unable to reach consensus with Shenyang Huachuang on the future strategic direction of the Target including but not limited to the proposed termination of certain distribution agreements signed by the Target. The Directors take the view that as a result of the difference in opinion, it would be impossible or extremely difficult to integrate the Target into the Group successfully in a timely manner and therefore the previously expected benefits of the Acquisition will be materially and substantially undermined.

On 13 March 2015 (after trading hours), the parties to the Share Acquisition Agreement entered into the Share Transfer Agreement, pursuant to which Xiantao Pioneer agreed to sell, and Dianbai Fuhong agreed to purchase, the Sale Interest at the same consideration as stipulated under the Share Acquisition Agreement.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the proposed Share Transfer, exceed 5% but all the relevant percentage ratios are less than 25%, the transaction contemplated under the Share Transfer Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. It is therefore subject to the reporting and announcement requirements but is exempt from the requirement of shareholders' approval.

INTRODUCTION

Reference is made to the announcement of the Company dated 19 November 2014 in relation to the acquisition of shares constituting 51% equity interest in the Target. Capitalised terms used herein shall have the same meanings as defined in the previous announcement, unless otherwise stipulated.

Subsequent to the completion of the Acquisition on 30 December 2014, the Group was unable to reach consensus with Shenyang Huachuang on the future strategic direction of the Target including but not limited to the proposed termination of certain distribution agreements signed by the Target. The Directors take the view that as a result of the difference in opinion, it would be impossible or extremely difficult to integrate the Target into the Group successfully in a timely manner and therefore the previously expected benefits of the Acquisition will be materially and substantially undermined.

On 13 March 2015 (after trading hours), the parties to the Share Acquisition Agreement entered into the Share Transfer Agreement, pursuant to which Xiantao Pioneer agreed to sell, and Dianbai Fuhong agreed to purchase, the Sale Interest at the same consideration as stipulated under the Share Acquisition Agreement. The key terms of the Share Transfer Agreement are described in more detail below.

THE SHARE TRANSFER AGREEMENT

Date: 13 March 2015

Parties: Xiantao City Pioneer Pharma Company Limited, a wholly-owned subsidiary of the Company, as the seller;

Dianbai County Fuhong Investment Co., Ltd., as the purchaser;
and

Mr Zhou Jianhua, Mr Wang Lihong and Mr Shen Quan, as the Guarantors. Mr Zhou Jianhua is a controller of and Mr Shen Quan is a shareholder of Shenyang Huachuang which holds 49% equity interest in the Target. Mr Wang Lihong holds 50% equity interest in Dianbai Fuhong. Pursuant to rule 14A.09 of the Listing Rules, each of Mr Zhou Jianhua, Mr Shen Quan and Shenyang Huachuang is not a connected person of the Company.

The Directors confirm that to the best of their knowledge, information and belief, having made all reasonable enquiries, Dianbai Fuhong and each of the Guarantors and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

Assets to be disposed of: The Sale Interest, being 51% equity interest in the Target.

Consideration:

The same consideration will be applied for the Share Transfer as previously stipulated under the Share Acquisition Agreement. Shareholders of the Company please refer to the previous announcement of the Company dated 19 November 2014 for further details of the consideration (including the basis upon which the consideration was determined).

As of the date of the Share Transfer Agreement, Xiantao Pioneer has paid the First Instalment, and it is not yet obliged to pay the remaining portion of the consideration for the Acquisition. Upon entering into of the Share Transfer Agreement, Xiantao Pioneer shall no longer be obliged to make any further payment of consideration under the Share Acquisition Agreement. Pursuant to the Share Transfer Agreement, Dianbai Fuhong shall repay the First Instalment to Xiantao Pioneer within three business days from the date of signing of the Share Transfer Agreement.

In addition, Xiantao Pioneer extended a shareholder loan in the amount of RMB6,120,000 to the Target in December 2014 (“**Shareholder Loan**”). Pursuant to the Share Transfer Agreement, Dianbai Fuhong shall repay, or procure the Target to repay, the Shareholder Loan to Xiantao Pioneer within three business days from the date of signing of the Share Transfer Agreement.

**Completion of
Share Transfer:**

The completion of the Share Transfer will occur when the 51% equity interest of the Target is registered under the name of Dianbai Fuhong, which is required to take place within three business days from the date of the full repayment of the First Instalment and the Shareholder Loan.

Guarantee:

Each of the Guarantors has provided a guarantee under the Share Transfer Agreement that they will be severally and jointly responsible for any liabilities of Dianbai Fuhong and the Target to repay the First Instalment and the Shareholder Loan and to pay compensation for or otherwise under the Share Transfer Agreement.

REASONS FOR AND BENEFIT OF THE PROPOSED SHARE TRANSFER

Notwithstanding the reasons and benefit to the Acquisition as set out in the announcement dated 19 November 2014. Subsequent to the completion of the acquisition on 30 December 2014, the Group was unable to reach consensus with Shenyang Huachuang on the future strategic direction of the Target including but not limited to the proposed termination of certain distribution agreements signed by the Target. The Directors take the view that as a result of the difference in opinion, it would be impossible or extremely difficult to integrate the Target into the Group successfully in a timely manner and therefore the previously expected benefits of the Acquisition will be materially and substantially undermined.

Therefore, the Directors consider it to be a benefit that the Share Transfer Agreement would enable the Group to unwind the Acquisition at no additional cost. All the payments made by the Group so far in relation to the Target will be refunded. The Directors (including all the independent non-executive Directors) are of the view that the terms of the Share Transfer Agreement and the transactions contemplated thereunder are fair and reasonable and in the interest of the Company and its shareholders as a whole.

The Company intends to utilise the proceeds from the Share Transfer as general working capital as well as to finance acquisitions of other targets that may be identified in the future.

INFORMATION ON THE COMPANY

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

INFORMATION ON XIANTAO PIONEER

Xiantao City Pioneer Pharma Company Limited (仙桃市先鋒醫藥有限公司) was founded on 31 July 2009 in Xiantao City, Hubei Province. It is a wholly-owned subsidiary of the Company, and is mainly engaged in the business of providing comprehensive marketing, promotion and channel management services dedicated to imported pharmaceutical products and medical devices in the PRC.

INFORMATION ON DIANBAI FUHONG

Dianbai County Fuhong Investment Co., Ltd. (電白縣富鴻投資有限公司), a company incorporated in the PRC with limited liability and a third party independent of the Company and its connected persons.

INFORMATION ON THE TARGET

The Target was founded in 1981, with a registration/paid-up capital of RMB30 million. The Target is mainly engaged in the manufacturing of large volume injections (including multilayer co-extrusion film infusion bags). Currently, the Target holds 23 medical registration certificates including Vinpocetine sodium chloride injection.

FINANCIAL INFORMATION OF THE TARGET

Pursuant to the audited financial statements of the Target in accordance with the PRC Generally Accepted Accounting Principles, for the year ended 31 December 2013, the net profits (before and after taxation and extraordinary items) of the Target for the years ended 31 December 2012 and 2013 were as follows:

	For the year ended	
	31 December	2012
	2013	2012
	RMB'000	RMB'000
Net profit before taxation and extraordinary items	4,148	15,631
Net profit after taxation and extraordinary items	2,900	10,907

As of 31 December 2014, the Sale Interest had an unaudited book value of RMB93,087,000 recorded on our Group's consolidated financial statements. It is expected that, upon completion of the Share Transfer, the Company will not record any gain or loss from such disposal. It is expected that there will be no gain or loss to be recorded by the Company as the First Instalment will be refunded and the Company will no longer be obliged to make any further payments of consideration under the Share Acquisition Agreement upon entering into the Share Transfer Agreement.

Upon completion of the Share Transfer, the Target will cease to be a subsidiary of the Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the proposed Share Transfer, exceed 5% but all the relevant percentage ratios are less than 25%, the transaction contemplated under the Share Transfer Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. It is therefore subject to the reporting and announcement requirements but is exempt from the requirement of shareholders' approval.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Acquisition”	the acquisition of the 51% equity interest in the Target by Xiantao Pioneer in accordance with the terms and conditions of the Share Acquisition Agreement, which was completed on 30 December 2014
“Board”	the board of Directors
“Business Day”	any day other than a Saturday, Sunday or statutory holiday on which banks in PRC are open for business
“Company”	China Pioneer Pharma Holdings Limited (中国先锋医药控股有限公司)
“Dianbai Fuhong”	Dianbai County Fuhong Investment Co., Ltd. (電白縣富鴻投資有限公司), a company incorporated in the PRC with limited liability
“Directors”	the directors of the Company
“First Instalment”	the first instalment of the consideration of RMB10,000,000 payable in accordance with the Share Acquisition Agreement
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China and for the purpose of this announcement, excludes Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	the 51% equity interest in the Target
“Share Acquisition Agreement”	the Share Acquisition Agreement dated 19 November 2014 between Dianbai Fuhong, Xiantao Pioneer and the Guarantors in respect of the Acquisition
“Share Transfer”	transfer of the Sale Interest from Xiantao Pioneer to Dianbai Fuhong
“Share Transfer Agreement”	the Share Transfer Agreement dated 13 March 2015 between Xiantao Pioneer, Dianbai Fuhong and the Guarantors in respect of the Share Transfer

“Shenyang Huachuang”	Shenyang Huachuang Investment Company Limited (瀋陽華創投資有限公司), a company incorporated in the PRC with limited liability and holding 49% equity interest in the Target as of the date of this announcement
“Target”	Shenyang Zhiying Pharmaceutical Co., Ltd (瀋陽志鷹藥業有限公司)
“Xiantao Pioneer”	Xiantao City Pioneer Pharma Company Limited (仙桃市先鋒醫藥有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“%”	per cent.

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

Hong Kong, 13 March 2015

As at the date of this announcement, the directors of the Company are Mr. LI Xinzhou, Mr. WANG Yiping and Mr. ZHU Mengjun as executive directors, Mr. WU Mijia as non-executive director and Mr. XU Zhonghai, Mr. LAI Chanshu and Mr. WONG Chi Hung, Stanley as independent non-executive directors.