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 ACQUISITION OF 51% EQUITY INTEREST IN SHENYANG ZHI YING PHARMACEUTICAL CO., LTD.

SUMMARY

The Board is pleased to announce that, on 19 November 2014 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, entered into the Share Acquisition Agreement with the Seller and the Guarantors, pursuant to which the Purchaser conditionally agrees to acquire, and the Seller conditionally agrees to sell, 51% equity interest in the Target at a consideration to be determined based on a profit-earnings multiple of 14 times the amount of audited net profit of the Target attributable to the Sale Interest for the year ended 31 December 2014. The consideration is payable in instalments and in accordance with the terms and conditions of 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 Acquisition 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.

Shareholders and potential investors of the Company should be aware that the completion of the Share Transfer is subject to the satisfaction of various conditions and therefore the Share Transfer may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

INTRODUCTION

On 19 November 2014 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, entered into the Share Acquisition Agreement with the Seller and the Guarantors, pursuant to which the Purchaser conditionally agrees to acquire, and the Seller conditionally agrees to sell, the Sale Interest being 51% equity interest in the Target at a consideration to be determined based on a profit-earnings multiple of 14 times the amount of audited net profit of the Target attributable to the Sale Interest for the year ended 31 December 2014. The consideration is payable in instalments and in accordance with the terms and conditions of the Share Acquisition Agreement. The key terms and conditions of the Share Acquisition Agreement are described in more detail below.

THE SHARE ACQUISITION AGREEMENT

Date: 19 November 2014

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

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

Mr Zhou Jianhua, Mr Wang Lihong and Mr Shen Quan, as the Guarantors. Mr Zhou Jianhua is a controller of the Target, Mr Wang Lihong holds 50% equity interest in the Seller and Mr Shen Quan is a shareholder of Shenyang Huachuang which holds 49% equity interest in the Target.

The Directors confirm that to the best of their knowledge, information and belief, having made all reasonable enquiries, the Seller 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 acquired: The Sale Interest, being 51% equity interest in the Target.

As disclosed by the Seller, the Sale Interest is currently under a pledge granted in favour of a bank as security for a commercial loan granted by such bank to the Target. It is a condition precedent under the Share Acquisition Agreement that the Sale Interest shall not be subject to any pledge or incumbency before completion. Please also refer to the section "Consideration" below for further information on the pledge.

Consideration:

The portion of the audited net profit of the Target for the year ended 31 December 2014 attributable to the Sale Interest, multiplied by a profit-earnings multiple of 14 times. The consideration is payable in two instalments.

The first instalment of the consideration (i.e. RMB10,000,000), shall be paid by the Purchaser to the Target as a deposit within five business days from the date of the Share Acquisition Agreement. Such deposit shall be used to release an existing pledge on the Sale Interest.

The Purchaser has the right to demand the Seller to repay double the amount of the initial deposit paid (i.e. RMB20,000,000) under the following circumstances:

(i) where the Seller refuses to proceed with the Share Transfer;

(ii) where the Seller terminates the Share Acquisition Agreement by relying on reasons not attributable to the Purchaser (excluding the reason of force majeure); or

(iii) where the Seller is unable to satisfy the conditions precedent.

The Purchaser has the right to demand the Seller to repay its initial deposit (i.e. RMB10,000,000) along with any interest accrued if the Share Transfer cannot complete due to reasons of force majeure.

The remaining portion of the consideration (i.e. the second instalment) shall be paid by the Purchaser to the Seller within 10 business days after determination, by the auditor appointed by the Purchaser, of the actual total amount of consideration payable based on the audited financial result of the Target for the year ended 31 December 2014 prepared in accordance with the International Financial Reporting Standards.

If the Seller does not agree with the amount of consideration payable, both the Purchaser and the Seller should jointly appoint a third party auditor to conduct a re-audit, with such third party audit fees to be borne by the Seller. If both parties agree with the determination of the re-audit (to be conducted in accordance with the International Financial Reporting Standards), the remaining portion of the consideration shall then be paid according to the terms and conditions of the Share Acquisition Agreement.

Performance guarantee: The Seller has provided a guarantee that the audited net profit of the Target for the three consecutive fiscal years starting from 1 January 2015, prepared in accordance with the International Financial Reporting Standards, will continue to achieve a minimum annual growth of 15% compared to the immediate, preceding financial year.

If the Target fails to achieve the Target Net Profit in any of the three consecutive fiscal years, the Seller shall pay compensation (as calculated in the manner below) to the Purchaser.

Compensation for the relevant fiscal year = (Target Net Profit for the relevant year – audited net profit for the relevant year) x 14 x 51% x 1/3.

Conditions precedent: Completion of the Share Transfer is subject to the satisfaction of all of the following conditions (subject to the Purchaser waving all or some of the following conditions in writing):

(i) in the opinion of the Purchaser, there have been no materially false representations provided by the Seller, the Guarantors or the Target, immediately prior to completion and that there have been no materially adverse events that have affected the Target's operations including but not limited to intellectual property, assets, taxation issues and other important areas;

(ii) all registrations, approvals and relevant reporting procedures in respect of the Share Transfer have been completed or complied with, according to the applicable laws;

(iii) each of the Purchaser and the Seller has obtained approvals from all relevant authorities (including but not limited to the relevant board of directors/shareholders/supervisor organisation, etc.) with respect to the Share Transfer;

(iv) Shengyang Huachuang has waived all its pre-emptive rights in relation to the Sale Interest;

(v) the financing bank of the Target has approved the Share Transfer (if required);

(vi) the Sale Interest is not subject to any third party pledge or other encumbrances; and

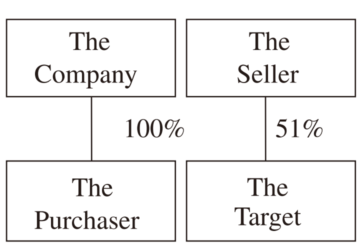
(vii) the provision of undertakings by shareholders of the Target, their connected parties and various lenders to the Target to allow the Target to only start repayment of the Outstanding Borrowings from the fourth anniversary of the Share Transfer completion date and to fully repay the Outstanding Borrowings by the seventh anniversary of the Share Transfer completion date (all such repayments not to include interest).

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 the Purchaser. The completion of the Share Transfer is expected to take place on a date within 20 days from the date of the Share Acquisition Agreement. Upon completion, the Target will become a non-wholly owned subsidiary of the Company and its results will be consolidated into the accounts of the Group.

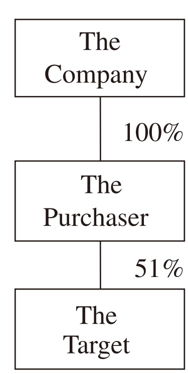
Guarantee: Each of the Guarantors has provided a guarantee under the Share Acquisition Agreement that they will be severally and jointly responsible for any liabilities of the Seller to pay compensation for or otherwise under the Share Acquisition Agreement, including but not limited to compensation resulting from any breach of warranties by the Seller or the failure of the Seller to fulfil the performance guarantee.

The following diagrams illustrate a simplified shareholding structure of the Target before and after the Share Transfer:

Before Share Transfer



After Share Transfer



REASONS FOR AND BENEFIT OF THE ACQUISITION

Acquiring a controlling equity stake in the Target will enable the Company to broaden its business model by extending the industrial chain and connecting the raw material supplier (upstream) with the manufacturer (downstream). In the first half of 2014, Covex S.A ("**Covex**") of Spain, a supplier of Vinpocetine API, became a subsidiary of the Company through a series of acquisitions and restructuring arrangements. Covex supplies stable, high quality Vinpocetine API (raw material) at a low cost. Through the Acquisition, the Company will be able to expand its industrial chain to add a processing manufacturer of Vinpocetine. The Acquisition is expected to benefit the revenue and the profit of the Company.

Vinpocetine API is currently one of the most important products of the Company. It is sold to domestic manufacturers of Vinpocetine in the PRC. Through the acquisitions mentioned above, the Company is now in a position to secure a long-term and stable supply of the raw material through Covex. The Target has established its business and reputation in the Vinpocetine market in terms of branding and manufacturing scale. Therefore the Directors expect that the Acquisition will increase the sales volume of Vinpocetine API of the Group and will contribute directly to the revenue and profit of the Company from a long term perspective.

For the six months ended 30 June 2014, the Company sold its products through its nationwide marketing, promotion and channel management service network to a total of over 26,000 hospitals and other medical institutions and over 95,000 pharmacies across 31 provinces, municipalities and autonomous regions in China. The Target and its Vinpocetine product is relatively well known but its sales and marketing activities have been restricted due to the limited sales and marketing capabilities of the Target. Upon completion of the Acquisition, as a result of which Vinpocetine will be incorporated into the portfolio of the Company, it is expected that the Company will be able to leverage on its existing nationwide marketing network to increase market coverage and sales volume of the Target's products. In turn, the growth in the sales of Vinpocetine product will inevitably lead to an increase in the sales volume of Vinpocetine API of the Company and Covex.

The Directors (including all the independent non-executive Directors) are of the view that the terms of the Share Acquisition Agreement and the transactions contemplated thereunder are fair and reasonable and in the interest of the Company and its shareholders as a whole.

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 THE PURCHASER

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 THE SELLER

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 holding 51% equity interest in the Target as of the date of this announcement. The Seller is 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, has a well-established management system and satisfactory operations and has been recording profits.

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	
	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

Based on the unaudited financial information provided by the Seller, the book value of the Sale Interest as at the date of this announcement was RMB15,300,000.

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 Acquisition 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.

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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 the Purchaser in accordance with the terms and conditions of the Share Acquisition Agreement
"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)
"Directors"	the directors of the Company
"Group"	the Company and its subsidiaries
"Guarantors"	Mr Zhou Jianhua, Mr Wang Lihong and Mr Shen Quan
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Outstanding Borrowings"	amounts (net of receivables and payables) due to the shareholders of the Target, their connected parties and various lenders to the Target
"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
"Purchaser"	Xiantao City Pioneer Pharma Company Limited, a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company.
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Interest"	the 51% equity interest in the Target
"Seller"	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 holding 51% equity interest in the Target as of the date of this announcement

"Share Acquisition Agreement"	the Share Acquisition Agreement dated 19 November 2014 between the Purchaser, the Seller and the Guarantors in respect of the Acquisition
"Share Transfer"	transfer of the Sale Interest from the Seller to the Purchaser
"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)
"Target Net Profit"	for the three consecutive fiscal years starting from 1 January 2015, the audited net profit of the Target shall achieve a minimum annual growth of 15% compared to the immediate, preceding financial year
"%"	per cent.

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

Hong Kong, 19 November 2014

As at the date of this announcement, the Directors are Mr. LI Xinzhou and Mr. ZHU Mengjun as executive Directors, Mr. LU Yuan, Mr. WU Mijia and Mr. ZHANG Wenbin as non-executive Directors and Mr. XU Zhonghai, Mr. LAI Chanshu and Mr. WONG Chi Hung, Stanley as independent non-executive Directors.