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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)

ANNOUNCEMENT CONNECTED TRANSACTION ACQUISITION OF 24% EQUITY INTEREST OF COVEX S.A. PURSUANT TO THE EXERCISE OF THE CALL OPTION

THE SHARE PURCHASE AGREEMENT

The Board is pleased to announce that, on 16 May 2014 after trading hours, pursuant to the exercise of the call option, Pioneer Singapore, a wholly-owned subsidiary of the Company, entered into the Share Purchase Agreement with Pioneer Pharma, pursuant to which Pioneer Singapore will acquire, and Pioneer Pharma will sell, 2,095,841 Covex Shares, representing approximately 24% of the entire issued share capital of Covex as at the date of this announcement, for a total consideration of EUR1,450,000.

LISTING RULES IMPLICATIONS

Pioneer Pharma is a connected person of the Company as it is majority owned by Mr. Li, the chairman, an executive Director, the chief executive officer and a controlling shareholder of the Company, and his spouse, Ms. Wu Qian. As such, the exercise of the call option and the Acquisition under the Share Purchase Agreement constitute a connected transaction of the Company. As all the relevant Percentage Ratios are more than 0.1% but less than 5%, the exercise of the call option and the Acquisition is subject to the reporting and announcement requirements, but exempt from independent shareholder approval requirement pursuant to Rule 14A.32 of the Listing Rules.

INTRODUCTION

Reference is made to the prospectus of the Company dated 24 October 2013 relating to the listing of the Company's shares on the Main Board of the Stock Exchange (the "**Prospectus**"). As disclosed in the Prospectus, Pioneer Pharma has granted the Company (for itself and on behalf of other members of the Group) a call option to acquire Pioneer Pharma's entire equity interest in Covex from time to time pursuant to a call option deed dated 16 October 2013.

The Board is pleased to announce that, on 16 May 2014 after trading hours, pursuant to the exercise of the call option, Pioneer Singapore, a wholly-owned subsidiary of the Company, entered into the Share Purchase Agreement with Pioneer Pharma, pursuant to which Pioneer Singapore will acquire, and Pioneer Pharma will sell, 2,095,841 Covex Shares, representing approximately 24% of the entire issued share capital of Covex as at the date of this announcement, for a total consideration of EUR1,450,000.

THE SHARE PURCHASE AGREEMENT

Date: 16 May 2014

Parties: Pioneer Singapore, as purchaser

Pioneer Pharma, as vendor

Assets to be acquired: 2,095,841 Covex Shares (represents approximately 24% of the entire issued share capital of Covex as at the date of this announcement)

Based on the unaudited financial information provided by Pioneer Pharma, the aggregate net book value of the Assets was approximately RMB12,222,000 as at 30 April 2014.

Consideration: EUR1,450,000

The Consideration was determined after arm's length negotiation between the parties to the Share Purchase Agreement after taking into consideration the valuation of the net assets of Covex of approximately EUR6,125,166 as at 31 December 2013 pursuant to a valuation report issued by UHY Fay & Co Auditores Consultores, S.L, an independent professional valuer, as well as the current status of the receivership proceedings of Covex.

Conditions: The Completion is subject to the obtaining of all necessary approval from the shareholders of Covex and the relevant government agencies (where applicable).

Completion: Completion will take place on the third business day after all conditions are satisfied. Pioneer Singapore shall settle the consideration of EUR1,450,000 in cash at Completion.

REASONS FOR THE EXERCISE OF THE CALL OPTION AND ENTERING INTO THE SHARE PURCHASE AGREEMENT

The Company has obtained an exclusive right to market, promote and sell Covex's Vinpocetine API in China. As disclosed in the Prospectus, as Vinpocetine API is expected to continue to be in high demand in China in the future, the Group (through Pioneer Pharma then) made a strategic investment in Covex to further improve the Group's prospects for renewing or extending its exclusive rights to market, promote and sell Vinpocetine API in China going forward. However, in consideration that (i) Covex is under a voluntary receivership proceeding pursuant to a court ruling; and (ii) Pioneer Pharma had been a passive investor since it first invested in Covex and had not been involved in the daily operation of Covex, and therefore it had no control over Covex's management, the Directors decided not to include the Assets in the Group before listing.

There has been some recent development. In April 2014 and as authorized by Pioneer Pharma, the Company sent a resident professional team to Covex, which has been involved in Covex's daily operations, and reporting regularly to the Company since then. As a result, the Company has more influence over Covex's management. Separately, since the commencement of the receivership proceedings, the financial results of Covex have been improved gradually as a result of the increase in its sales of Vinpocetine API, and Covex currently expects to file an application to terminate its receivership proceedings. On the basis of the above, the Directors are of the view that it is a good timing for the Company to start to invest in Covex so as to further enhance the Company's direct influence over Covex and improve the Company's prospects for renewing or extending its exclusive right granted by Covex to market, promote and sell Vinpocetine API in China. Accordingly, the Company exercised the call option and entered into the Share Purchase Agreement with Pioneer Pharma.

The Directors (including all the independent non-executive Directors) are of the view that the terms of the Share Purchase Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests 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 China.

INFORMATION ON PIONEER PHARMA

As at the date of this announcement, Pioneer Pharma does not have any business operations other than its holding of the Assets and certain other assets such as office premises and vehicles.

INFORMATION ON COVEX

Covex is a Spanish chemical and pharmaceutical company which is primarily engaged in the business of the production and commercialization of API (active pharmaceutical ingredient(s)) raw materials, pharmaceutical products and dietary supplements, especially made of Vinca alkaloids. Covex is the supplier of Vinpocetine API of the Group. Covex is currently under court supervised receivership proceedings.

FINANCIAL INFORMATION OF COVEX

Pursuant to the audited financial statements of Covex for the financial year ended 31 December 2013, the net profits (before and after taxation and extraordinary items) attributable to the Assets for the years ended 31 December 2012 and 2013 were as follows:

	Net profits before taxation and extraordinary items (if any) EUR	Net profits after taxation and extraordinary items (if any) EUR
For the year ended 31 December 2012	75,225.12	59,393.52
For the year ended 31 December 2013	56,257.44	44,545.20

The original purchase cost of the Assets to Pioneer Pharma is EUR2 million.

As Pioneer Pharma is majority owned by Mr. Li and his spouse, Ms. Wu Qian, Mr. Li is considered to have a material interest in the Acquisition and has abstained from voting on the relevant resolutions of the Board approving the transactions under the Share Purchase Agreement.

LISTING RULES IMPLICATIONS

Pioneer Pharma is a connected person of the Company as it is majority owned by Mr. Li, the chairman, an executive Director, the chief executive officer and a controlling shareholder of the Company, and his spouse, Ms. Wu Qian. As such, the exercise of the call option and the Acquisition under the Share Purchase Agreement constitute a connected transaction of the Company. As all the relevant Percentage Ratios are more than 0.1% but less than 5%, the exercise of the call option and the Acquisition is subject to the reporting and announcement requirements, but exempt from independent shareholder approval requirement pursuant to Rule 14A.32 of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of the Assets pursuant to the Share Purchase Agreement
“Assets”	the 2,095,841 Covex Shares
“Board”	the board of Directors

“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
“Completion”	completion of the Acquisition
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Covex”	Covex S.A., a limited company incorporated on 20 May 1977 in Spain
“Covex Shares”	shares of a par value of EUR0.8 each in the share capital of Covex
“Director(s)”	the director(s) of the Company
“EUR”	Euro, the single currency of the participating member states of the European Union
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Li”	Mr. Li Xinzhou, the chairman, an executive Director, the chief executive officer and a controlling shareholder of the Company
“Percentage Ratios”	the percentage ratios under Rule 14.07 of the Listing Rules
“Pioneer Pharma”	Pioneer Pharma Shareholding Company Limited (先鋒醫藥股份有限公司), a company incorporated on 31 July 1996 in the PRC and majority owned by Mr. Li and his spouse, Ms. Wu Qian
“Pioneer Singapore”	Pioneer Pharma (Singapore) Pte. Ltd. (先鋒醫藥(新加坡)私人有限公司), a company incorporated on 16 February 2011 in Singapore and a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC

“Share Purchase Agreement”	the agreement dated 16 May 2014 between Pioneer Singapore, as the purchaser, and Pioneer Pharma, as the vendor, in respect of the sale and purchase of the Assets for a total consideration of EUR1,450,000
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Hong Kong, 16 May 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.