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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

DISCLOSEABLE AND CONNECTED TRANSACTION DISPOSAL OF 100% INTEREST IN A WHOLLY-OWNED SUBSIDIARY

THE DISPOSAL

The Board announces that on 17 October 2016, the Seller, a direct wholly-owned subsidiary of the Company, entered into the Agreement with Mr. Li, pursuant to which the Seller has conditionally agreed to sell and Mr. Li has conditionally agreed to purchase the Sale Share, representing the entire issued share capital of the Target Company at a Consideration of RMB158,358,539, subject to the terms and conditions of the Agreement.

The principal assets of the Target Company, at Completion, will be (i) the entire issued share capital of Covex; (ii) 33.06% of the issued share capital of Q3; and (iii) 60% of the issued share capital in Pioneer Medident.

Given that the investments in the Target Group no longer fit into the Group's strategic rationale, and in view that the financial performance of the Target Group has adversely affected the financial performance of the Group as a whole, the Directors consider that the Disposal is in line with the Group's long term strategy, represents a good opportunity for the Group to realise its investment in the Target Group and is expected to improve the overall financial performance of the Group.

LISTING RULES IMPLICATIONS

Pursuant to Chapter 14 of the Listing Rules, as the highest percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction for the Company.

Mr. Li is the chairman of the Board, an executive Director and a controlling shareholder of the Company. Accordingly, Mr. Li is a connected person of the Company under Chapter 14A of the Listing Rules. As such, the Disposal also constitutes a connected transaction of the Company. As the applicable highest percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 5% but is less than 25%, the Disposal is, in addition to the reporting and announcement requirements, subject to the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

GENERAL

A circular containing, among other things, (i) details of the Agreement and the Disposal contemplated thereunder; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Disposal, the Agreement and the transactions contemplated thereunder; (iii) a letter of advice from the IFA to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM is expected to be despatched to the Shareholders on or before 7 November 2016.

THE AGREEMENT

Date : 17 October 2016

Parties

Seller : Pioneer Pharma (Hong Kong) Co., Limited, a direct wholly-owned subsidiary of the Company

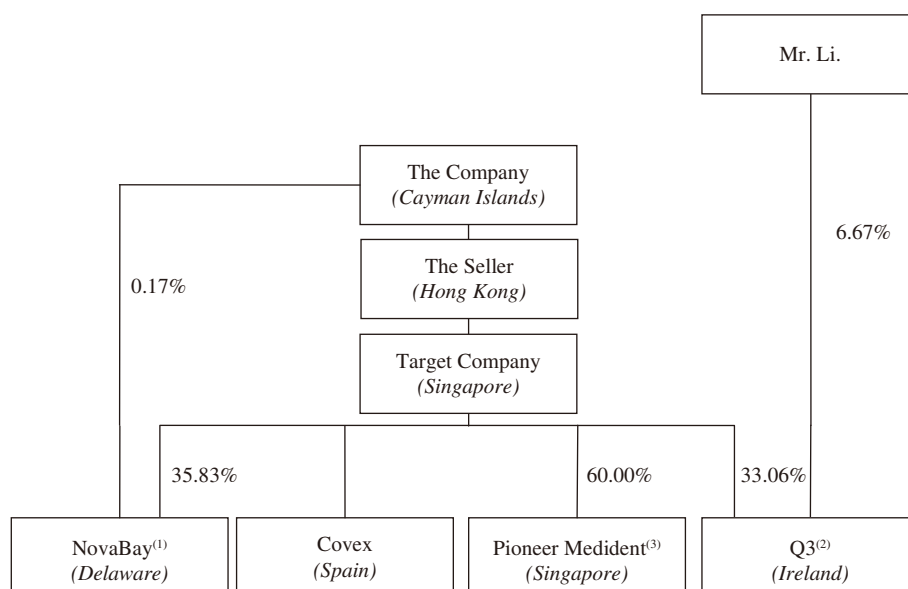
Purchaser : Mr. Li Xinzhou

Mr. Li is the chairman of the Board, an executive Director and a controlling shareholder of the Company. Accordingly, Mr. Li is a connected person of the Company under Chapter 14A of the Listing Rules.

Subject Matter of the Disposal

The asset being disposed of is the Sale Share, representing the entire issued share capital of the Target Company. In addition, the Seller and Mr. Li agreed that all the inter-group amounts due between the Target Group and the other members of the Group outstanding as at the date of this Agreement will be released and discharged upon Completion.

The Target Company holds (i) the entire issued share capital of Covex; (ii) 33.06% of the issued share capital of Q3; and (iii) 60% of the issued share capital of Pioneer Medident. In addition, the Target Company holds certain securities in NovaBay, which do not form part of the Disposal and will be transferred to the Seller prior to the Completion. Please refer to the paragraph headed "Information on the Target Group" for further information on each of the members of the Target Group and the paragraph headed "Internal Reorganisation" for further information on NovaBay. The following diagram depicts the current structure of the Target Group (unless otherwise specified, each subsidiary is 100% owned by its holding company):



Notes:

1. The shares of NovaBay are listed on the New York Stock Exchange. As disclosed in the Company's interim report for the six months ended 30 June 2016, in August 2016, the Target Company purchased 1,308,901 ordinary shares of NovaBay, and after the completion of such acquisition, the Group held a total of 3,722,545 ordinary shares of NovaBay (of which, 3,698,219 ordinary shares were held by the Target Company and 24,326 ordinary shares were held by the Company), representing an aggregate of approximately 33.09% equity interest in NovaBay.

In September 2016, the Group exercised an aggregate of 835,751 units of warrants in NovaBay, and after which the Group held a total of 5,212,747 ordinary shares of NovaBay (of which, 5,188,421 ordinary shares were held by the Target Company and 24,326 ordinary shares were held by the Company), representing an aggregate of approximately 36.00% equity interest in NovaBay.

2. The remaining 60.27% of the issue share capital of Q3 is held by third parties independent of the Company.
3. The remaining 40.00% of the issue share capital of Pioneer Medident is held by third parties independent of the Company.

Following the Completion, the Group will cease to hold any share in the Target Company, and accordingly each of the Target Company, Covex and Pioneer Medident will cease to be a subsidiary of the Company.

Consideration

The Consideration for the Disposal is RMB158,358,539, which is payable by Mr. Li to the Seller within five years from the Completion Date. Mr. Li is also required to pay to the Seller interest on the Consideration to the extent it is outstanding from time to time from the Completion Date until the date on which the Consideration is paid in full at the rate of 4.75% per annum.

Basis of Determination of Consideration

The Consideration for the Disposal was agreed between the Seller and Mr. Li after arm's length negotiations on normal commercial terms after taking into consideration (i) the reasons for the Disposal as disclosed in the paragraph headed "Reasons for and Benefits of the Disposal" below; (ii) the net asset value of the Target Group; (iii) the deemed settlement of the account payables and receivables between the Target Group and other members of the Group following Completion; and (iv) the net asset value of NovaBay, taking into account the Internal Reorganisation.

Conditions Precedent

Completion is conditional upon the fulfilment of the following conditions:

- (a) the Company having complied with the requirements under the Listing Rules in respect of the transactions contemplated under the Agreement, including but not limited to having obtained the approval of the Independent Shareholders at the Company's general meeting approving the Agreement; and
- (b) the transfer of all of the securities in NovaBay held by the Target Company to the Seller having been completed.

In the event that the above conditions have not been fulfilled on or before 31 December 2016, the Seller or Mr. Li will have the right to terminate the Agreement and in which case, the Disposal will not proceed.

Completion

Completion is scheduled to take place on the second business day following the date on which the conditions precedent referred to above have been satisfied, or such other date as the Seller and Mr. Li may otherwise agree (i.e. the Completion Date).

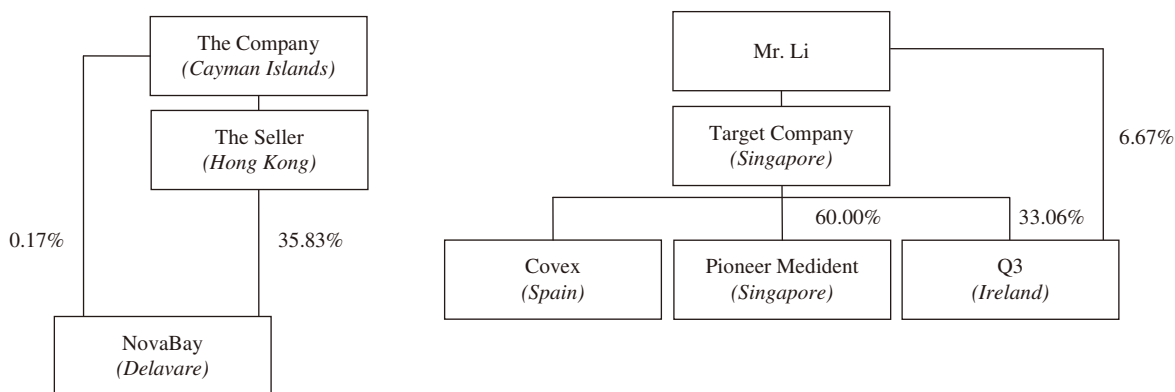
INTERNAL REORGANISATION

As at the date of this announcement, the Target Company holds a total of 5,188,421 ordinary shares of NovaBay, representing approximately 35.83% equity interest in NovaBay. Further, the Company also holds 24,326 ordinary shares of NovaBay, representing approximately 0.17% equity interest in NovaBay.

Prior to, and as a condition precedent to, Completion, the Target Company will effect the Internal Reorganisation, whereby the Target Company will transfer all its interest in the securities of NovaBay to the Seller. Following completion of the Internal Reorganisation, such securities in NovaBay will be owned by the Seller and NovaBay will remain as an associate of the Company. Following the commercialisation of NovaBay's product, namely, Avenova, a daily lid and lash hygiene in the U.S. domestic eye care market, NovaBay's financial performance has improved significantly in the six months ended 30 June 2016. Based on the unaudited consolidated financial statements of NovaBay for the six months ended 30

June 2016, NovaBay's total net sales rose to approximately US\$4.4 million, representing an increase of approximately 183% as compared to the same period in 2015. Moreover, for the year ended 31 December 2015, the Group recognised an impairment loss on investment in NovaBay of RMB41.3 million, primarily due to the significant decline in NovaBay's quoted market price in late 2015. Given the recovery of NovaBay's financial performance in the first half of 2016, the Directors are optimistic towards the business development, as well as the share price, of NovaBay in 2016, which, together with the reversal of impairment loss of approximately RMB4.6 million for the Group's investment in NovaBay as recorded in the Group's unaudited financial statements for the six months ended 30 June 2016, may in turn positively contribute to the Group's financial performance in 2016.

The following diagrams depict the shareholding structure of the Target Group and the Seller, respectively following Completion (unless otherwise specified, each subsidiary is 100% owned by its holding company):



REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in the provision of comprehensive marketing, promotion and channel management services to small and medium-sized overseas suppliers of pharmaceutical products and medical devices in the growing healthcare market in China.

Covex is the supplier of one of the Group's products Vinpocetine API. The Group first entered into a licence with Covex in July 2009 to market, promote and sell Vinpocetine API in the PRC on an exclusive basis. As part of the Group's strategy to enhance its business relationships with its suppliers and to improve its prospects of renewing or extending the rights to market, promote and sell its products, the Group acquired Covex group in 2014. The purpose of the acquisition was to enable the Group to obtain a stable supply of high quality Vinpocetine API at a low cost. Please refer to the Company's announcement dated 2 July 2014 for further details of the acquisition. Since the acquisition, the Group's sales of Vinpocetine API have deteriorated due to the changing competitive landscape in the PRC market and were further aggravated by the unfavorable tender results of the Group's customers in respect of their Vinpocetine API finished products. Consequently, the results of Covex have been disappointing. For the year ended 31 December 2015, the Group recognised an impairment loss of goodwill in relation to the Covex group of RMB14.7 million. The Group's purchases of Vinpocetine API from Covex over the period from 2013 to 2016 have been decreasing. For the years ended 31 December 2013, 2014 and 2015, the Group's purchases of Vinpocetine API from Covex were US\$6.6 million, US\$1.0 million and US\$0.4 million, respectively. In 2016 to date, the Group has purchased a total of approximately US\$0.1 million Vinpocetine

API from Covex. While the Group does not expect to make any further purchases from Covex, however, if the Group makes any further purchases from Covex following Completion, the Company will comply with the relevant requirements under the Listing Rules with respect to such purchases.

In 2013, the Group obtained from the Q3 group the exclusive rights to market, promote and sell TsunaMed products, which are medical devices used for the treatment of vascular diseases, in China and certain Southeast Asia markets. To further enhance the co-operation with Q3, the Group, through the Target Company, has completed several rounds of investments towards Q3 since 2013. However, there have been delays in the research and development progress of the TsunaMed products and consequentially the prospects of commercialisation of such products in the near future are becoming uncertain. For the year ended 31 December 2015 and the six months ended 30 June 2016, the Group's share of loss of Q3 was RMB17.1 million and RMB10.1 million (unaudited) respectively.

Since the Group has ceased, or has not commenced any purchases (as the case may be) products from either Covex and Q3, the investment in these companies no longer fit into the Group's strategic rationale. As disclosed in the Company's annual report for the year ended 31 December 2015, the Group will focus on two core development strategies, namely further development and optimisation of its product portfolio, and expansion and improvement of marketing network. The Target Group, which includes Q3 and Covex, has been loss-making and its performance has adversely affected the financial performance of the Group as a whole. Accordingly, the Directors believe that the negative financial performance of the Target Group may continue to cast further uncertainty on the Group's overall financial performance (if they were to stay within the Group). The Directors consider that the Disposal is in line with the Group's long term strategy, represents a good opportunity for the Group to realise its investment in the Target Group and is expected to improve the overall financial performance of the Group.

In view of the above, the Directors (excluding the independent non-executive Directors who will give their view after receiving the advice from the IFA) consider that the terms of the Agreement are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL

After taking into account the Consideration for the Disposal, the net carrying amount of the assets and liabilities of the Target Company as at 30 June 2016, the related transaction costs and taxes, the accumulative impact of fluctuation of exchange rates and the unaudited results of the Target Group for the six months ended 30 June 2016, the Company estimates that the Group will record an unaudited gain of approximately RMB8.9 million from the Disposal. Any gain from the Disposal is subject to audit and depends on the financial information of the Target Group up to and as at the Completion Date. Following Completion, each of Covex and Pioneer Medident will cease to be a subsidiary of the Company and Q3 will cease to be an associate of the Company. Further losses or profits of Covex, Q3 and Pioneer Medident will not be reflected in the Group's consolidated financial statements after Completion.

The Group intends to use the net proceeds from the Disposal for general working capital purpose.

INFORMATION ON THE TARGET GROUP

As at the date of this announcement, the Target Company is an indirect wholly-owned subsidiary of the Company. The Target Company is an investment holding company incorporated in Singapore on 16 February 2011 with limited liability. After the completion of the Internal Reorganisation, each of Covex and Pioneer Medident will continue to be a subsidiary of the Target Company, and the Target Company will continue to hold 33.06% of the issued share capital of Q3. Certain basic information of Q3, Covex and Pioneer Medident is set out below:

	Place of incorporation	Principal business
Q3.....	Ireland	Investment holding; and its subsidiaries' business include the design, development and manufacturing of medical devices, and sales of coronary and peripheral vascular products
Covex	Spain	Production and commercialisation of active pharmaceutical ingredients (API), raw materials, pharmaceutical products and dietary supplements
Pioneer Medident . .	Singapore	Sales of medical devices in Southeast Asia (Note)

Note:

Pioneer Medident only runs a small-scale operation. For the years ended 31 December 2013, 2014 and 2015, revenue of Pioneer Medident was SG\$0.1 million, SG\$0.2 million and SG\$0.2 million, respectively. Mr. Li has no plan to change the business operation of Pioneer Medident in any material respects following Completion.

Financial Information on the Target Company

Set out below is a summary of the net loss before and after tax and extraordinary items of the Target Company prepared in accordance with the Singapore Financial Reporting Standards for the years ended 31 December 2014 and 2015:

	For the year ended	
	31 December	
	2014	2015
	<i>US\$</i>	<i>US\$</i>
Net loss before taxation	308,093	14,392,527
Net loss after taxation	490,531	14,392,527

As at 31 December 2015, the net liabilities of the Target Company were US\$14,063,165.

Upon Completion, the Seller will cease to hold any share in the Target Company, and hence, each of the Target Company, Covex and Pioneer Medident will cease to be a subsidiary of the Company and the financial information of the Target Group will no longer be consolidated into the Group's financial statements.

LISTING RULES IMPLICATION

Pursuant to Chapter 14 of the Listing Rules, as the highest percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction for the Company.

Mr. Li is the chairman of the Board, an executive Director and a controlling shareholder of the Company. Accordingly, Mr. Li is a connected person of the Company under Chapter 14A of the Listing Rules. As such, the Disposal also constitutes a connected transaction of the Company. As the applicable highest percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 5% but is less than 25%, the Disposal is, in addition to the reporting and announcement requirements, subject to the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

GENERAL

BaoQiao Partners Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with regard to the Disposal.

A circular containing, among other things, (i) details of the Agreement and the Disposal; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Disposal and the Agreement; (iii) a letter of advice from the IFA to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM is expected to be despatched to the Shareholders on or before 7 November 2016.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Agreement”	the share purchase agreement dated 17 October 2016 entered into between the Seller (as seller) and Mr. Li (as purchaser) in relation to the sale and purchase of the Sale Share
“Board”	the board of Directors
“Company”	China Pioneer Pharma Holdings Limited, a company incorporated as an exempted company with limited liability in the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 01345)
“Completion”	completion of the Disposal in accordance with the terms of the Agreement
“Completion Date”	the date on which Completion occurs
“Consideration”	consideration of the Disposal, being RMB158,358,539

“Covex”	Covex S.A., a limited company incorporated in Spain, and wholly-owned by the Target Company
“Directors”	the directors of the Company
“Disposal”	the disposal of the Sale Share by the seller to Mr. Li pursuant to the Agreement
“EGM”	the extraordinary general meeting of the Company to be convened for considering, and if thought fit, approving the Disposal, the Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFA”	BaoQiao Partners Capital Limited, a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Disposal
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Xu Zhonghai, Mr. Lai Chanshu and Mr. Wong Chi Hung, Stanley to consider and advise the Independent Shareholders with regard to the Disposal
“Independent Shareholders”	Shareholders other than Mr. Li and his associates
“Internal Reorganisation”	the proposed transfer of the Target Company’s interest in the securities of NovaBay to the Seller prior to Completion
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Li”	LI Xinzhou (李新洲), chairman of the Board, an executive Director and a controlling shareholder of the Company

“NovaBay”	NovaBay Pharmaceuticals, Inc., a United States based clinical-stage biopharmaceutical company incorporated in Delaware, the United States, whose shares are listed on the New York Stock Exchange
“Pioneer Medident”	Pioneer Medident (SE Asia) Pte. Ltd., a company incorporated in Singapore, and a 60% owned subsidiary of the Target Company
“PRC” or “China”	the People’s Republic of China and, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Q3”	Q3 Medical Devices Limited, a company incorporated in the Republic of Ireland and held as to 33.06% by the Target Company
“RMB”	renminbi, the lawful currency of the PRC
“Sale Share”	one ordinary share of SG\$1 in the Target Company, representing the entire issued share capital of the Target Company
“Seller”	Pioneer Pharma (Hong Kong) Co., Limited, a company incorporated on 19 February 2013 in Hong Kong and a direct wholly-owned subsidiary of the Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“SG\$”	Singapore Dollar, the lawful currency of Singapore
“Shareholders”	holders of the Shares
“Share(s)”	ordinary share(s) of nominal value US\$0.01 each in the share capital of the Company
“Singapore”	the Republic of Singapore
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	Pioneer Pharma (Singapore) Pte. Ltd., a company incorporated in Singapore with limited liability on 16 February 2011, and a wholly-owned subsidiary of the Seller
“Target Group”	Target Company and its subsidiaries
“United States” or “U.S.”	the United States of America
“%”	per cent

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

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

Hong Kong, 17 October 2016

As at the date of this announcement, the Directors are Mr. LI Xinzhou, Mr. WANG Yinpeng 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.