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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 SHARE SUBSCRIPTION IN PARAGON

The Board announces that on 26 August 2018, Pioneer Australia, a wholly-owned subsidiary of the Company, and the Company entered into the Subscription Agreement with Paragon pursuant to which Pioneer Australia agreed to subscribe for, and Paragon agreed to issue, in two tranches, a total of 50,418,386 Subscription Shares, representing 15% of the total issued shares of Paragon upon completion of the Subscription (subject to the approval for the quotation of the Subscription Shares by the Australian Securities Exchange) at the Subscription Price of AUD0.91 per Subscription Share, subject to an adjustment for any dividend paid prior to allotment.

As one or more of the applicable percentage ratios in respect of the Subscription exceeds 5% but none of such percentage ratios is 25% or above, the Subscription constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements, but are exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

THE SUBSCRIPTION

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PRINCIPAL TERMS OF THE SUBSCRIPTION AGREEMENT

Date: 26 August 2018

Parties:

- (1) Pioneer Australia, an investment holding company wholly-owned by the Company (as subscriber);
- (2) the Company (as guarantor); and
- (3) Paragon (as issuer)

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Paragon and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as such term is defined in the Listing Rules).

Subject matter

Subject to the terms and conditions of the Subscription Agreement, Pioneer Australia agreed to subscribe for (i) 16,483,517 First Tranche Shares; and (ii) 33,934,869 Second Tranche Shares, representing, in aggregate, 15% of the total issued shares of Paragon upon completion of the Subscription.

The Subscription Shares will be listed on the Australian Securities Exchange and will rank equally in all respects with the shares of Paragon in issue as at their respective date of issue.

Consideration

For the First Tranche Shares, the Subscription Price is AUD0.91 per share. For the Second Tranche Shares, the Subscription Price is AUD0.91 per share less any dividend declared or paid by Paragon per share prior to the Second Settlement Date.

Based on the Subscription Price of AUD0.91 per Subscription Share, the total consideration for the subscription of the First Tranche Shares is AUD15,000,000, and is payable by Pioneer Australia prior to 12:00 noon on the First Settlement Date.

Based on the Subscription Price of AUD0.91 per Subscription Share, the total consideration for the subscription of the Second Tranche Shares is AUD30,880,731, and is payable by Pioneer Australia prior to 12:00 noon on the Second Settlement Date.

The Subscription Price of AUD0.91 per Subscription Share was arrived at after arm's length negotiation between Pioneer Australia and Paragon with reference to the recent market prices of the shares of Paragon, the prevailing market conditions of the stock market in Australia and the strategic nature of the Subscription.

The payment for the consideration for the Subscription is expected to be funded partly by internal resources of the Group and partly by a loan from Mr. Li Xinzhou, the chairman of the Board, an executive Director and a controlling shareholder of the Company. It is currently expected that the loan from Mr. Li Xinzhou will be on normal commercial terms or better to

the Group and will not be secured by any assets of the Group, and accordingly will be a fully exempt connected transaction under Rule 14A.90 of the Listing Rules.

Condition precedent and completion

Completion is conditional upon the Australian Securities Exchange not indicating to Paragon that it will refuse to grant quotation of the Subscription Shares or otherwise make quotation conditional (other than in relation to customary conditions):

- (a) in respect of the First Tranche Shares, on or before 12:00 noon on the First Settlement Date; and
- (b) in respect of the Second Tranche Shares, on or before 12:00 noon on the Second Settlement Date.

Save for the above condition, the First Subscription and the Second Subscription are unconditional. Subject to the satisfaction of the above condition, completion of the First Subscription and the Second Subscription will take place on the First Settlement Date and the Second Settlement Date, respectively, or such other time as agreed by the parties to the Subscription Agreement.

Other terms

For so long as Pioneer Australia has voting power in more than 10% of the total issued shares of Paragon, Pioneer Australia will be entitled to nominate one director for appointment to the board of directors of Paragon.

Pioneer Australia has undertaken to Paragon that, from the date of the Subscription Agreement until 31 January 2019, it will not, and will ensure that its related entities do not (alone or with others) acquire, purchase or sell, or agree to acquire or purchase, any securities (or direct or indirect rights, warrants or options to acquire any securities) of Paragon, subject to the terms of the Subscription Agreement.

Pioneer Australia has agreed that, for a period of one year from the Completion Date, it (and its related entities) will act in accordance with a majority recommendation of the board of directors of Paragon made to shareholders of Paragon to support an offer from a third party for shares of Paragon proposed under a scheme of arrangement or a takeover bid (in the absence of a superior proposal) and, accordingly, will vote in favour of the scheme of arrangement or accept the takeover bid, as applicable, provided that the offer price is at least 110% or more of the Subscription Price.

Paragon has agreed that, until the Second Settlement Date, it will not issue or offer, or agree to issue or offer, shares (whether contingently or not) to any person other than Pioneer Australia (or in any other way alter its share capital on issue), save for the share issues in relation to employee share option plans or other transactions disclosed by Paragon, or the issue of consideration shares for potential acquisition disclosed to Pioneer Australia.

The Company has agreed to guarantee the performance by Pioneer Australia of its obligations under the Subscription Agreement.

INFORMATION OF PARAGON

Paragon (ASX: PGC) is a company incorporated in Victoria, Australia with limited liability, and is an investment holding company. Paragon, through its subsidiaries, is principally engaged in the supply of durable medical equipment, medical devices and consumable medical products providing end to end solutions for the acute, aged and primary care markets throughout Australia and New Zealand.

Financial Information of Paragon

Set out below is a summary of the profit before and after tax and extraordinary items of Paragon prepared in accordance with Australian Accounting Standards for the years ended 30 June 2016 and 2017:

	For the year ended 30 June	
	2017	2016
	AUD	AUD
Profit before taxation and extraordinary items	14,233,798	9,869,123
Profit after taxation and extraordinary items	10,306,583	6,979,920

As at 31 December 2017, the unaudited net assets of Paragon amounted to AUD83,350,919.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

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.

The Company considers that the proposed investment in Paragon is in line with the principal business of the Group, enabling the Group to step up its presence in Australia and New Zealand and forms the basis for further cooperation between the Group and Paragon. In particular, the Group intends to explore opportunities in the sales of certain of the Group's products in Australia and New Zealand and the distribution of the certain products of Paragon or other suppliers (through the business network of Paragon) in the PRC.

The Directors are of the view that the terms of the Subscription are fair and reasonable and in the interests of the shareholders of the Company as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Subscription exceeds 5% but none of such percentage ratios is 25% or above, the Subscription constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements, but is exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

Unless the context otherwise requires, capitalised terms used in this announcement have the following meanings:

“AUD”	Australian Dollars, the lawful currency of Australia
“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 Date”	the date of completion of the Subscription
“Directors”	the directors of the Company
“First Settlement Date”	14 September 2018
“First Tranche Shares”	16,483,517 ordinary shares of Paragon proposed to be allotted and issued to Pioneer Australia by Paragon on the First Settlement Date pursuant to the Subscription Agreement
“Group”	the Company together with its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Paragon”	Paragon Care Limited, a company incorporated in Victoria, Australia with limited liability whose shares are listed on the Australian Securities Exchange (stock code: PGC)
“Pioneer Australia”	Pioneer Pharma (Australia) Pty Ltd, a wholly-owned subsidiary of the Company incorporated in New South Wales, Australia with limited liability
“PRC”	the People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan)
“Second Settlement Date”	the earlier of: (a) 15 November 2018; and (b) a date notified by Pioneer Australia to Paragon.

“Second Tranche Shares”	33,934,869 ordinary shares of Paragon proposed to be allotted and issued to Pioneer Australia by Paragon on the Second Settlement Date pursuant to the Subscription Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by Pioneer Australia pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 26 August 2018 entered into between Pioneer Australia (as subscriber), the Company (as guarantor) and Paragon (as issuer) in relation to the Subscription
“Subscription Price”	AUD0.91 per Subscription Share, and in the case of the Second Tranche Shares, subject to adjustment
“Subscription Shares”	the First Tranche Shares and the Second Tranche Shares

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.

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

Shanghai, 26 August 2018

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