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SHANGHAI PIONEER HOLDING LTD

上海先鋒控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01345)

CONNECTED TRANSACTION FURTHER CAPITAL INCREASE TO Tiantong ENVIRONMENTAL PROTECTION

Reference is made to the announcement of the Company dated 23 February 2022 in relation to the Initial Capital Increase. In order to further meet the capital needs of Tiantong Environmental Protection, on 8 December 2022, Xiantao Pharma, a subsidiary of the Company, entered into the Capital Increase Agreement with Tiandao Medical and Mr. Xiao, pursuant to which, Xiantao Pharma intends to increase the capital of Tiantong Environmental Protection by RMB49.75 million and its equity interests in Tiantong Environmental Protection will be increased from 55% to 75%; Tiandao Medical intends to increase the capital of Tiantong Environmental Protection by RMB70,000 and its equity interests in Tiantong Environmental Protection will be decreased from 39% to 19%; Mr. Xiao intends to increase the capital of Tiantong Environmental Protection by RMB3.18 million and his equity interests in Tiantong Environmental Protection will remain at 6%. After the completion of the Capital Increase, the registered capital of Tiantong Environmental Protection will increase from RMB50.00 million to RMB103.00 million, and Xiantao Pharma, Tiandao Medical and Mr. Xiao will hold 75%, 19% and 6% of its issued share capital, respectively.

Tiandao Medical is wholly and jointly owned by the father-in-law and the mother-in-law of Mr. Li, the Chairman, an executive Director and the controlling shareholder of the Company and Mr. Xiao is an executive Director. Therefore, Tiandao Medical and Mr. Xiao are connected persons of the Company. Tiantong Environmental Protection is a non-wholly owned subsidiary of the Company and Tiandao Medical and Mr. Xiao directly hold a total of 10% or more of equity interests in Tiantong Environmental Protection. Accordingly, Tiantong Environmental Protection is a connected subsidiary of the Company. The Capital Increase constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the percentage ratios applicable to the Capital Increase (when aggregated with the amount of the capital increase to Tiantong Environmental Protection by Xiantao Pharma under the Initial Capital Increase) exceeds 0.1% but is less than 5%, the Capital Increase is subject to reporting and announcement requirements but is exempted from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 23 February 2022 in relation to the Initial Capital Increase. In order to further meet the capital needs of Tiantong Environmental Protection, on 8 December 2022, Xiantao Pharma, a subsidiary of the Company, entered into the Capital Increase Agreement with Tiandao Medical and Mr. Xiao Guoguang (“**Mr. Xiao**”), pursuant to which, Xiantao Pharma intends to increase the capital of Tiantong Environmental Protection by RMB49.75 million and its equity interests in Tiantong Environmental Protection will be increased from 55% to 75%; Tiandao Medical intends to increase the capital of Tiantong Environmental Protection by RMB70,000 and its equity interests in Tiantong Environmental Protection will be decreased from 39% to 19%; Mr. Xiao intends to increase the capital of Tiantong Environmental Protection by RMB3.18 million and his equity interests in Tiantong Environmental Protection will remain at 6%. After the completion of the Capital Increase, the registered capital of Tiantong Environmental Protection will increase from RMB50.00 million to RMB103.00 million, and Xiantao Pharma, Tiandao Medical and Mr. Xiao will hold 75%, 19% and 6% of its issued share capital, respectively.

THE CAPITAL INCREASE AGREEMENT

Date

8 December 2022

Parties

- Xiantao Pharma
- Tiandao Medical
- Mr. Xiao

Tiandao Medical is wholly and jointly owned by Ms. Lu Li (陸麗) (“**Ms. Lu**”) and Mr. Wu Changtai (吳昌泰) (“**Mr. Wu**”), being the mother-in-law and the father-in-law of Mr. Li Xinzhou (“**Mr. Li**”), the Chairman, an executive Director and the controlling shareholder of the Company. Mr. Xiao is an executive Director. Therefore, Tiandao Medical and Mr. Xiao are connected persons of the Company.

Capital Increase

Tiantong Environmental Protection proposed to increase its registered capital to RMB103.00 million. Xiantao Pharma, as the original shareholder of Tiantong Environmental Protection, will increase its investment in Tiantong Environmental Protection from RMB27.50 million to RMB77.25 million by way of making cash contribution of RMB49.75 million to, and hold 75% of the equity interests in, Tiantong Environmental Protection. Tiandao Medical, as the original shareholder of Tiantong Environmental Protection, will increase its investment in Tiantong Environmental Protection from RMB19.50 million to RMB19.57 million by way of making cash contribution of RMB70,000 to, and hold 19% of the equity interests in, Tiantong Environmental Protection. Mr. Xiao will increase his investment in Tiantong Environmental Protection from RMB3.00 million to RMB6.18 million by way of contribution of his proprietary technology or patents (the value determined by a third party valuation firm), and hold 6% of the equity interests in Tiantong Environmental Protection.

The amount of the Capital Increase contributed by Xiantao Pharma to Tiantong Environmental Protection was based on the registered capital of Tiantong Environmental Protection, and after thorough consideration of the quality of Tiantong Environmental Protection's asset, its growth potential, market conditions and future synergies with the Company, was negotiated and determined on an equal and fair basis. The Capital Increase will be financed by the internal resources of the Group.

Before and after the completion of the Capital Increase, the share capital structure of Tiantong Environmental Protection is as follows:

	Before the completion of the Capital Increase		After the completion of the Capital Increase	
	capital contribution	percentage of the shareholding	capital contribution	percentage of the shareholding
	<i>RMB</i>		<i>RMB</i>	
Xiantao Pharma	27.50 million	55%	77.25 million	75%
Tiandao Medical	19.50 million	39%	19.57 million	19%
Mr. Xiao	3.00 million	6%	6.18 million	6%

Effectiveness and Completion

Xiantao Pharma, Tiandao Medical and Mr. Xiao have undertaken to complete all necessary procedures with the competent state administration for industry and commerce as soon as possible after entering into the Capital Increase Agreement in order to complete the Capital Increase.

INFORMATION ON TIANTONG ENVIRONMENTAL PROTECTION

Tiantong Environmental Protection is a company with limited liability established in the PRC, which is a comprehensive conglomerate specializing in research and development of environmental protection technology, production of complete set of environmental protection equipment, steel dephosphorization and rust prevention and environmental protection operation. Its key projects are the research and application of complete set of technical equipment for acid-free cleaning of ECD electrocatalytic steel strips.

Mr. Xiao is the technical director (chief expert) of Tiantong Environmental Protection. The complete set of technology for acid-free cleaning of ECD electrocatalytic steel strips of Tiantong Environmental Protection is featured by full intellectual property rights, and has been submitted to China National Intellectual Property Administration for 16 invention and utility model patents. It was identified as a high-tech product reaching the advanced international level by the China Environmental Protection Association on 27 February 2022.

Based on the consolidated financial statements prepared by Tiantong Environmental Protection in accordance with the PRC Accounting Standards for Business Enterprises, the unaudited total assets and net assets of Tiantong Environmental Protection as at 30 June 2022 were approximately RMB43,404,287.56 and RMB35,372,055.80. The audited profits of Tiantong Environmental Protection for the two years ended 31 December 2021 are as follow:

	Year ended 31 December 2020	Year ended 31 December 2021
	<i>RMB</i>	<i>RMB</i>
Audited profit before tax and extraordinary profits and losses	-3,843,351.54	-4,663,858.68
Audited profit after tax and extraordinary profits and losses	-3,843,351.54	-4,663,858.68

REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE

The Capital Increase is in line with the Group's long-term strategic planning and goals, and will help the Group seize market opportunities and rapidly expand its business in the environmental protection industry. As a leader in the environment protection industry, Mr. Xiao has a profound understanding of the development of the industry. In addition, the environmental protection industry is encouraged and supported by national policies and will have promising prospects for growth. The self-developed technology of comprehensive recycling of electroless nickel plating waste by Tiantong Environmental Protection has a competitive edge of its capacity on recycling of heavy metals, high degree of automation and recyclability; while the complete set of ECD electrocatalytic steel strip acid-free cleaning technology has the characteristics of high speed, low cost and no pollution. With the competitive edges brought by such technologies in the environmental protection industry, Tiantong Environmental Protection is expected to bring attractive profits and return for the Group and the shareholders of the Company as a whole.

The Directors (including independent non-executive Directors) consider that the Capital Increase is conducted on normal commercial terms, fair and reasonable, and in the interests of the Company and its shareholders as a whole. Mr. Li and Mr. Xiao were deemed to have interests in the Capital Increase and have abstained from voting in respect of the Board resolution approving the Capital Increase.

LISTING RULES IMPLICATIONS

Tiandao Medical is wholly and jointly owned by the father-in-law and the mother-in-law of Mr. Li, the Chairman, an executive Director and the controlling shareholder of the Company and Mr. Xiao is an executive Director. Therefore, Tiandao Medical and Mr. Xiao are connected persons of the Company. Tiantong Environmental Protection is a non-wholly owned subsidiary of the Company and Tiandao Medical and Mr. Xiao directly hold a total of 10% or more of equity interests in Tiantong Environmental Protection. Accordingly, Tiantong Environmental Protection is a connected subsidiary of the Company. The Capital Increase constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the percentage ratios applicable to the Capital Increase (when aggregated with the amount of the capital increase to Tiantong Environmental Protection by Xiantao Pharma under the Initial Capital Increase) exceeds 0.1% but is less than 5%, the Capital Increase is subject to reporting and announcement requirements but is exempted from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

The Group

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

Xiantao Pharma

Xiantao Pharma is a company with limited liability incorporated in the PRC, primarily engaged in business of the sale of pharmaceutical products and medical devices.

Tiandao Medical

Tiandao Medical is a company with limited liability incorporated in the PRC. The scope of its core business covers medical supplies, import and export of equipment, import and export of technology and related information consultation, technology transfer, technical consultation and provision of after-sales service.

Mr. Xiao

Mr. Xiao Guoguang, the technical director (chief expert) of Tiantong Environmental Protection, was born in June 1963, and holds a doctorate degree in mineral processing engineering from Central South University. He is a professor-level senior engineer, postgraduate tutor and a grantee of special government allowances granted by the State Council for his outstanding achievement.

DEFINITIONS

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

“Board”	the board of Directors
“Capital Increase”	The capital increase to Tiantong Environmental Protection by Xiantao Pharma, Tiandao Medical and Mr. Xiao pursuant to the Capital Increase Agreement
“Capital Increase Agreement”	the “Capital and Share Increase Agreement” for the Capital Increase proposed to be entered into by Xiantao Pharma, Tiandao Medical and Mr. Xiao on 8 December 2022

“Company”	Shanghai Pioneer Holding Ltd (上海先鋒控股有限公司), an exempted company incorporated on 5 February 2013 with limited liability under the laws of the Cayman Islands, with its Shares listed on the Main Board of the Stock Exchange (Stock Code: 01345)
“Director(s)”	the director(s) of the Company
“Group”	the Company together with its subsidiaries
“Initial Capital Increase”	On 23 February 2022, Xiantao Pharma, a subsidiary of the Company, Tiandao Medical and Mr. Xiao Guoguang entered into the “Capital and Share Increase Agreement”, pursuant to which, Xiantao Pharma increased the capital to Tiantong Environmental Protection by RMB27.50 million and held 55% of its equity interests
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratios”	the percentage ratios under Rule 14.07 of the Listing Rules, for the Capital Increase, the percentage ratios of asset test and consideration test are over 0.1% but less than 5%
“PRC”	The People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Regions and Taiwan
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tiandao Medical”	Tiandao Medical Co., Ltd. (仙桃市天道醫療服務有限公司), a company jointly and wholly owned by the father-in-law and the mother-in-law of Mr. Li, the Chairman, executive Director and controlling shareholder of the Company
“Tiantong Environmental Protection”	Hunan Tiantong Environmental Protection Co., Ltd. (湖南天童環保有限公司), a company incorporated with limited liability under the laws of the PRC on 10 June 2019, and a connected subsidiary of the Company
“Xiantao Pharma”	Xiantao Pioneer Pharma Co., Ltd.

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

The English names of Chinese entities included in this announcement are unofficial translations of their Chinese names and are included for identification purposes only.

By order of the Board
Shanghai Pioneer Holding Ltd
LI Xinzhou
Chairman

Hong Kong, 8 December 2022

As at the date of this announcement, Mr. LI Xinzhou, Mr. XIAO Guoguang and Mr. YANG Yuewen are executive Directors, Ms. HU Mingfei is a non-executive Director and Mr. ZHANG Hong, Mr. WONG Chi Hung, Stanley and Mr. LAI Chanshu are independent non-executive Directors.