

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult an exchange participant or other securities dealer licensed as a licensed person under the Securities and Futures Ordinance, bank manager, solicitor, certified public accountant or other professional adviser.

If you have sold or transferred all your securities in China Pioneer Pharma Holdings Limited, you should at once hand this circular and the accompanying proxy form to the purchaser or transferee or to the bank, exchange participant or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION
DISPOSAL OF 100% INTEREST IN A WHOLLY-OWNED SUBSIDIARY
AND
(2) NOTICE OF EGM**

**Independent Financial Adviser
to the Independent Board Committee and the Independent Shareholders**



BAOQIAO PARTNERS CAPITAL LIMITED

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out from pages 5 to 16 of this circular. A letter from the Independent Board Committee is set out on page 17 of this circular. A letter from BaoQiao, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out from pages 18 to 34 of this circular.

A notice convening the EGM of China Pioneer Pharma Holdings Limited to be held at 10:00 a.m. on Thursday, 22 December 2016 at Azalea Hall, 1/F, Radisson Blu Hotel Shanghai Hong Quan, 210 Taopu Road, Putuo District, Shanghai is set out on pages 40 to 41 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the website of the Stock Exchange at www.hkexnews.hk.

Whether or not you are able to attend the EGM, you are encouraged to complete the accompanying proxy form in accordance with the instructions printed thereon, and return it to the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM (or any adjournment of such meeting). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM (or any adjournment of such meeting) should you so wish.

6 December 2016

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DEFINITIONS

In this circular, the following expressions have the meanings as set out below unless the context requires otherwise:

“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, as amended and supplemented by the Supplemental Agreement
“Announcement”	the announcement issued by the Company dated 17 October 2016 in relation to the Disposal
“Articles”	the articles of association of the Company
“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 (equivalent to approximately HK\$181,795,603)
“Covex”	Covex S.A., a limited company incorporated in Spain, and a wholly-owned subsidiary of 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 terms of the Agreement
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the Disposal, the Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFA” or “BaoQiao”	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
“Latest Practicable Date”	1 December 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the 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 (Stock symbol: NBY)
“Pioneer BVI”	Pioneer Pharma (BVI) Co., Ltd., a company incorporated in the British Virgin Islands and a controlling shareholder of the Company

DEFINITIONS

“Pioneer Medident”	Pioneer Medident (SE Asia) Pte. Ltd., a company incorporated in Singapore, and a 60% owned subsidiary of the Target Company
“PRC”	the People’s Republic of China and for the purpose of this circular, excludes Hong Kong, the 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
“Share(s)”	ordinary share(s) of nominal value US\$0.01 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Singapore”	the Republic of Singapore
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement dated 2 December 2016 entered into between the Seller (as seller) and Mr. Li (as purchaser) to amend and supplement the terms of the Agreement
“Supplemental Agreement Announcement”	the announcement issued by the Company dated 2 December 2016 in relation to the Supplemental Agreement

DEFINITIONS

“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 circular, 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.

For the purpose of this circular, unless the context otherwise requires, conversion of Renminbi into Hong Kong dollars is based on the approximate exchange rate of RMB1.00 to HK\$1.148. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars or RMB have been, could have been or may be converted at such or any other rate or at all.



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)

Executive Directors:

Mr. Li Xinzhou (*Chairman*)
Mr. Wang Yinping (*Chief Executive Officer*)
Mr. Zhu Mengjun (*Chief Financial Officer*)

Non-executive Director:

Mr. Wu Mijia

Independent Non-executive Directors:

Mr. Xu Zhonghai
Mr. Lai Chanshu
Mr. Wong Chi Hung, Stanley

Registered Office:

190 Elgin Avenue
George Town
Grand Cayman KY1-9005
Cayman Islands

*Principal Place of Business
in Hong Kong:*

36/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

6 December 2016

To the Shareholders

Dear Sir or Madam,

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

INTRODUCTION

Reference is made to the Announcement, in which the Board announced 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 (equivalent to approximately HK\$181,795,603), subject to the terms and conditions of the Agreement. On 2 December 2016, the Seller and Mr. Li entered into the Supplemental Agreement to supplement and amend certain terms of the Agreement. Details of the Supplemental Agreement are announced in the Supplemental Agreement Announcement.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with further details of the Disposal, recommendations from the Independent Board Committee in respect of the Disposal, the advice from BaoQiao to the Independent Board Committee and the Independent Shareholders in respect of the Disposal and a notice of the EGM at which a resolution will be proposed to consider and, if thought fit, approve the Disposal, the Agreement and the transactions contemplated thereunder.

THE AGREEMENT

Principal terms of the Agreement are set out as follows:

Date

17 October 2016 (as supplemented by the Supplemental Agreement dated 2 December 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.

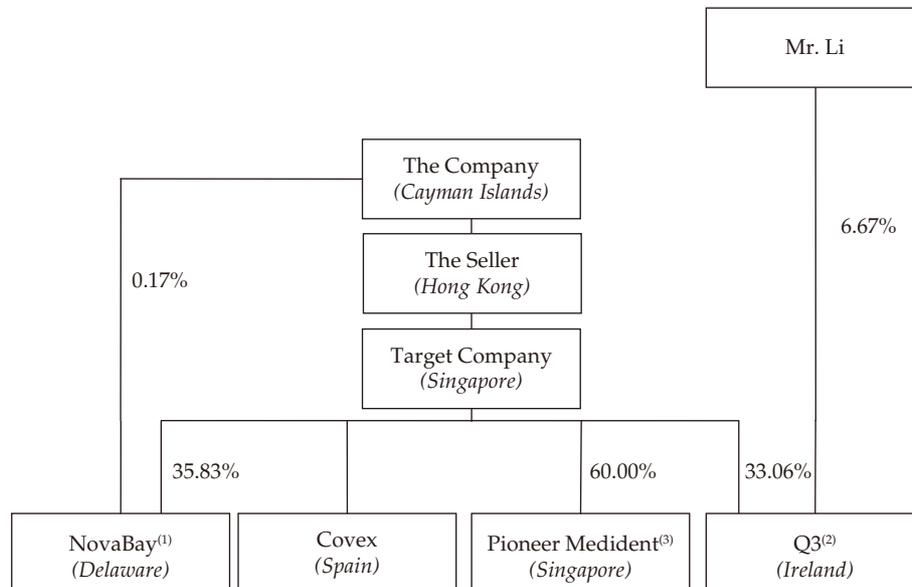
Subject Matter of the Disposal

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 the 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

LETTER FROM THE BOARD

“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 1,490,202 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, and Q3 will cease to be an associate of the Company.

LETTER FROM THE BOARD

Payment term and share charge

The Consideration for the Sale Share is RMB158,358,539 (equivalent to approximately HK\$181,795,603) and is payable by Mr. Li to the Seller according to the following timetable:

	Time for payment of Consideration	Amount
1.	Completion Date	RMB1,350,000
2.	No later than the date falling on the first anniversary of the Completion Date	not less than 25% of the Consideration (i.e. RMB39,589,634.75) (including any prior payments)
3.	No later than the date falling on the third anniversary of the Completion Date	not less than 60% of the Consideration (i.e. RMB95,015,123.40) (including any prior payments)
4.	No later than the date falling on the fifth anniversary of the Completion Date	the remaining amount of the Consideration

Mr. Li is required pay to the Seller interest on the amount of the Consideration 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. Such interest is payable annually and any interest amount overdue will accrue interest at the same interest rate stated above.

Subject to the Completion taking place, Mr. Li will enter into a share charge in respect of the Sale Share in favour of the Seller as security for his payment obligations under the Agreement.

The staged payment arrangement of the Consideration for a term of up to five years under the Agreement ("**Staged Payment Term**") and the interest rate of 4.75% per annum on the outstanding sum were determined by the Seller and Mr. Li after arm's length negotiation, taking into account the prevailing lending interest rate of 4.75% per annum for a 5-year loan published by The People's Bank of China as at the date of the Agreement.

The Staged Payment Term is a commercial decision between the parties reached after arms' length negotiation. Mr. Li has indicated that he will endeavour to settle the Consideration in full as soon as it is practicable for him to do so. In particular, Mr. Li has undertaken to the Seller and the Company that he will apply not less than 20% of any dividend payments in respect of the Shares that he and Pioneer BVI may receive from the Company during the Staged Payment Term to settle the Consideration and any interest accrued thereon.

LETTER FROM THE BOARD

The Company believes that the Staged Payment Term, being part and parcel of the Disposal, provides certainty to the Group and flexibility to Mr. Li, and the Company considers that the interest payable by Mr. Li to the Seller for the outstanding Consideration appropriately compensates the Seller during the period while the Consideration is outstanding. Further, given that the Company did not receive any alternative offer other than Mr. Li's offer to acquire the Target Group, the Company believes that, in light of the uncertainties in the Target Group's future financial performance (which may or may not further deteriorate in future), the Disposal represents a good opportunity for the Group to immediately realise its investments, which would bring clarity to the Group's current financial performance despite the Staged Payment Term as provided under the Agreement.

In the event that Mr. Li fails to settle the Consideration and any interest accrued thereon according to the terms of the Agreement, the Seller may consider taking appropriate measures to recover any overdue amount, including but not limited to initiating legal proceedings against Mr. Li and/or enforce the share charge provided by Mr. Li, if necessary. In the event that the Board is required to consider any matters relating to the Disposal which Mr. Li may have a conflict of interest, such as initiating actions to recover any overdue payment and enforcing the share charge, the Board will seek views and decisions from a committee of the Board of which Mr. Li will not be a member.

In the event that Mr. Li fails to settle the Consideration according to the terms of the Agreement, the Company will make further announcement as and when appropriate, and comply with applicable requirements, including reporting and announcement requirements, and the Independent Shareholders' approval requirement, under the Listing Rules.

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 unaudited net liabilities of the Target Group as at 30 June 2016 of approximately RMB124.0 million; (iii) the deemed settlement of the net accounts payable by the Target Group to the Group of approximately RMB334.1 million as at 30 June 2016 following Completion; (iv) the aggregate amount of losses of Q3 and NovaBay for the six months ended 30 June 2016 of approximately RMB14.9 million; and (v) the effect of the Internal Reorganisation including (x) the book value of NovaBay of approximately RMB25.2 million as at 30 June 2016; (y) the accumulated loss of NovaBay for the six months ended 30 June 2016 of approximately RMB6.0 million; and (z) the total funds utilised by the Target Group for further investment in NovaBay in 2016 of approximately RMB35.5 million.

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

LETTER FROM THE BOARD

- (b) the transfer of all of the securities in NovaBay held by the Target Company to the Seller having been completed.

The Agreement does not provide for any right to waive any of the above conditions by a party. Each of the Seller and Mr. Li is required to use its reasonable endeavours to procure the fulfilment of the above conditions on or before 31 December 2016. In the event that the above conditions are not fulfilled by 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

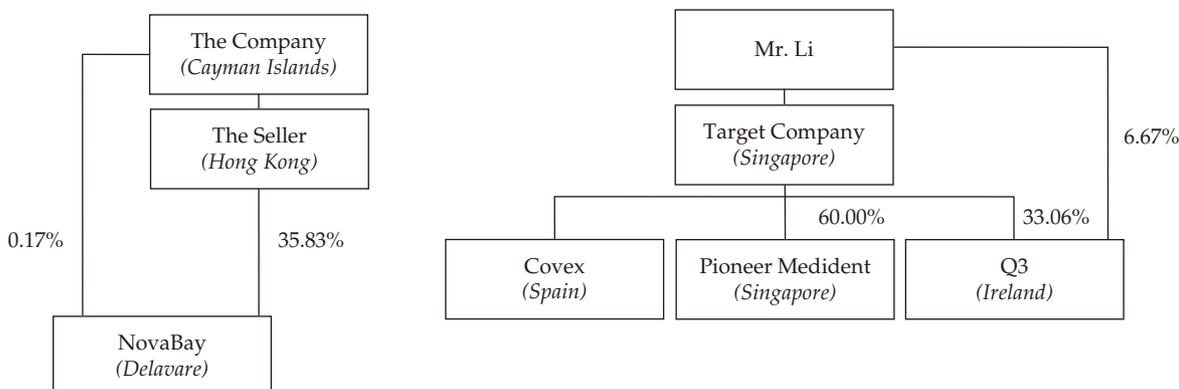
The Consideration was arrived at after arm's length negotiations between the parties and was determined with reference to, among other things, the financial performance and business development and prospects of the Target Group.

As at the Latest Practicable Date, the Target Company held a total of 5,188,421 ordinary shares of NovaBay, representing approximately 35.83% equity interest in NovaBay. Further, the Company also held 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 closing price of NovaBay as quoted on the New York Stock Exchange as at 31 December 2015, 31 March 2016, 30 June 2016, and 30 September 2016 was US\$2.02, US\$2.10, US\$2.50, and US\$4.10, respectively.

LETTER FROM THE BOARD

The following diagrams depict the respective shareholding structure of the Target Group and the Seller 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 up to the Latest Practicable Date, the Group had 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.

LETTER FROM THE BOARD

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 to purchase, or has not commenced purchases of any (as the case may be) products from either Covex or Q3 and Pioneer Medident only runs a small-scale operation, which revenue contribution only accounts for small portion of the Group's revenue, 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 and Q3 have been loss-making and their performance have adversely affected the financial performance of the Group as a whole. Accordingly, the Directors believe that the negative financial performance of the Target Group and Q3 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 Q3 and is expected to improve the overall financial performance of the Group.

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.

LETTER FROM THE BOARD

INFORMATION ON THE TARGET GROUP

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 (<i>Note</i>)

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 confirmed that he 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.

LETTER FROM THE BOARD

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 (including the financial assistance to be provided by the Seller to Mr. Li in connection with the Staged Payment Term) also constitutes a connected transaction of the Company. As the highest applicable percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules exceeds 5%, the Agreement and the transactions contemplated thereunder are, in addition to the reporting and announcement requirements, subject to the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

In the event that Mr. Li fails to settle the Consideration according to the terms of the Agreement, the Company will make further announcement as and when appropriate, and comply with applicable requirements, including reporting and announcement requirements, and Independent Shareholders' approval requirement, under the Listing Rules.

FORMATION OF THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, has been formed to advise the Independent Shareholders as to whether the Agreement was entered into on normal commercial terms, and whether the terms of the Disposal and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Your attention is drawn to the letter from the Independent Board Committee containing its advice set out on page 17 of this circular. BaoQiao has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the entering into of the Agreement and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group, and whether the terms of the Disposal (including the financial assistance to be provided by the Seller to Mr. Li in connection with the Staged Payment Term) are on normal commercial terms and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. The text of the letter of advice from BaoQiao is set out on pages 18 to 34 of this circular.

LETTER FROM THE BOARD

THE EGM

The Company will convene the EGM at 10:00 a.m. on Thursday, 22 December 2016 at Azalea Hall, 1/F, Radisson Blu Hotel Shanghai Hong Quan, 210 Taopu Road, Putuo District, Shanghai for the purpose of considering and, if thought fit passing, with or without amendments, the ordinary resolution to approve the Disposal by entering into of the Agreement and the transactions contemplated thereunder, and a notice of the EGM is set out on pages 40 to 41 of this circular.

The resolution to be put to vote at the EGM will be taken by way of poll in accordance with the Listing Rules. Pursuant to Rule 14A.70(12) of the Listing Rules, where independent shareholders' approval is required with regard to a connected transaction, any shareholder with a material interest in such transaction will not vote on such transaction. As at the Latest Practicable Date, Mr. Li and his associates, holding an aggregate of 932,879,000 Shares (as at the Latest Practicable Date representing approximately 69.97% of the issued share capital) of the Company, will be required to abstain from voting in relation to the resolution to approve the Agreement and the transactions contemplated thereunder at the EGM. As Mr. Li is a party to the Agreement, he has abstained from voting on the Board resolution for approving the Agreement and the transactions contemplated thereunder.

A form of proxy is enclosed for use at the EGM. Such form of proxy is also published on the website of the Stock Exchange at www.hkexnews.hk. Whether or not you are able to attend the EGM, you are encouraged to complete the form of proxy in accordance with the instructions printed thereon and return it to the Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM (or any adjournment of such meeting). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjournment of such meeting) should you so wish.

POSSIBLE SALE OF SOME OR ALL OF PIONEER BVI'S SHAREHOLDING INTERESTS IN THE COMPANY

As disclosed in the announcement of the Company dated 8 November 2016, the Board was advised by Pioneer BVI that it was in talks with certain third parties in relation to a possible sale of some or all of Pioneer BVI's shareholding interests in the Company. If any transaction materialises such transaction may lead to a potential offer under the Code on Takeovers and Mergers. Pioneer BVI has advised that these discussions are still in progress and such discussions may or may not lead to any transaction.

Shareholders and potential investors are advised to exercise caution in dealing in the shares and other securities of the Company.

LETTER FROM THE BOARD

RECOMMENDATIONS

The Directors (including independent non-executive Directors) believe that although the entering into of the Agreement and the transactions contemplated thereunder are not in the ordinary and usual course of business of the Group, the terms of the Disposal (including the financial assistance to be provided by the Seller to Mr. Li in connection with the Staged Payment Term) are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including independent non-executive Directors) recommend the Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

Your attention is drawn to the advice of the Independent Board Committee set out in its letter on page 17 of this circular. Your attention is also drawn to the letter of advice from BaoQiao to the Independent Board Committee and the Independent Shareholders in respect of the same matters, which is set out on pages 18 to 34 of this circular.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information in respect of the Company set out in the appendix headed “General Information” to this circular.

In case of inconsistency, the English text of this circular and the enclosed form of proxy shall prevail over their respective Chinese text.

Yours faithfully,
By Order of the Board
China Pioneer Pharma Holdings Limited
Li Xinzhou
Chairman



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)

6 December 2016

To the Independent Shareholders

Dear Sir or Madam

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

We refer to the circular of the Company dated 6 December 2016 (the “Circular”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board to advise you as to whether the terms of the Disposal are fair and reasonable, on normal commercial terms insofar as the Independent Shareholders are concerned; and whether the Disposal is in the interest of the Company and the Shareholders as a whole and whether the entering into of the Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group. BaoQiao has been appointed as the Independent Financial Adviser to advise you and us in this respect.

Having taken into account the principal reasons and factors considered by, and the advice of, BaoQiao as set out in its letter of advice to you and us on pages 18 to 34 of the Circular, we are of the opinion that the terms of the Disposal (including the financial assistance to be provided by the Seller to Mr. Li in connection with the Staged Payment Term) are fair and reasonable so far as the Independent Shareholders are concerned, on normal commercial terms, and the Disposal is in the interests of the Company and the Shareholders as a whole, even though the entering into of the Agreement and the transactions contemplated thereunder are not in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Disposal.

Yours faithfully,
The Independent Board Committee of
China Pioneer Pharma Holdings Limited
Xu Zhonghai
Lai Chanshu
Wong Chi Hung, Stanley
Independent non-executive Directors

LETTER FROM BAOQIAO

The following is the full text of the letter of advice from BaoQiao Partners Capital Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



BAOQIAO PARTNERS CAPITAL LIMITED

Unit 501, 5/F, Tower 1, Admiralty Centre,
18 Harcourt Road, Admiralty, Hong Kong

6 December 2016

*To the Independent Board Committee
and the Independent Shareholders of
China Pioneer Pharma Holdings Limited*

Dear Sir or Madam,

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

INTRODUCTION

We refer to our engagement as the IFA to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 6 December 2016 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

On 17 October 2016, the Seller, a direct wholly-owned subsidiary of the Company, and Mr. Li entered into the Agreement, pursuant to which subject to, among others, the approval by the Independent Shareholders at the EGM, 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 the Consideration of RMB158,358,539 (equivalent to approximately HK\$181,795,603), subject to the terms and conditions of the Agreement. The principal assets of the Target Company, at Completion, will include (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. Upon completion of the Disposal, the Target Group will cease to be subsidiaries of the Company and the Company will cease to hold any equity interests in the Target Company.

On 2 December 2016, the Seller and Mr. Li entered into the Supplemental Agreement to supplement and amend certain terms of the Agreement. Details of the Supplemental Agreement are announced in the Supplemental Agreement Announcement.

LETTER FROM BAOQIAO

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 are 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. The staged payment arrangement of the Consideration for a term of up to five years under the Agreement, as disclosed in the Letter from the Board, will constitute financial assistance to be provided by the Group to Mr. Li within the meaning of the Listing Rules (the "**Provision of Financial Assistance**").

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Xu Zhonghai, Mr. Lai Chanshu and Mr. Wong Chi Hung, Stanley, who have no material interest in the Disposal, has been established by the Company to advise the Independent Shareholders as to whether the Agreement (as supplemented by the Supplemental Agreement) was entered into on normal commercial terms, and whether the terms of the Disposal and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

We, BaoQiao Partners Capital Limited, has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the Agreement (as supplemented by the Supplemental Agreement) was entered into on normal commercial terms, and whether the terms of the Disposal (including the Provision of Financial Assistance), the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole, and as to voting in respect of the relevant resolutions at the EGM.

As at the Latest Practicable Date, we did not have any relationship with or interest in the Group or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees in connection with this appointment as the IFA, no other arrangements exist whereby we had received or will receive any fees or benefits from the Group or any other parties that could reasonably be regarded as relevant to our independence. As such, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules. We have not acted as the IFA to the Company's other transactions for the past two years.

For the purposes of this letter, the exchange rates of RMB1.00 = HK\$1.148, US\$1.00 = HK\$7.8 and SG\$1.00=RMB4.88 have been used, where applicable, for illustration purposes only and do not constitute representations that any amount has been, could have been or may be exchanged at such rates or any other rates or at all on the date or dates in question or any other date.

LETTER FROM BAOQIAO

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Announcement, the Supplemental Agreement Announcement, the Circular, the Agreement, the Supplemental Agreement, the annual reports of the Company for the year ended 31 December 2014 and 2015 (the “**2014 Annual Report**” and “**2015 Annual Report**” respectively), the interim report for the six months ended 30 June 2016 (the “**2016 Interim Report**”) and the information and representations provided to us by the Company, the Directors and the management of the Company. We have assumed that all information and representations that have been provided by the Directors and the management of the Company, for which they are solely and wholly responsible, are true, accurate and complete in all material respects and not misleading or deceptive at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and the management of the Company in the Circular were reasonably made after due enquiries and careful consideration.

All Directors collectively and individually accept full responsibility for the purpose of giving information with regard to the Company in the Circular and, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, its subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the entering into the Agreement (as supplemented by the Supplemental Agreement), the transactions contemplated thereunder. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the business or affairs or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, at the Latest Practicable Date.

LETTER FROM BAOQIAO

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of approving the Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder, and this letter, except for its inclusion in the Circular and for inspection as required under the Listing Rules, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to advise the Independent Board Committee and the Independent Shareholders, we have taken into consideration the following principal factors and reasons:

1. Information of the Group

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.

Set out below is the audited financial results of the Group for the years ended 31 December 2013, 2014 and 2015 (“FY2013”, “FY2014” and “FY2015” respectively) as extracted from the Company’s 2014 Annual Report and 2015 Annual Report, and the unaudited financial results of the Group for the six months ended 30 June 2015 and 2016 (“1H2015” and “1H2016” respectively) as extracted from the Company’s 2016 Interim Report.

	For the six months		For the year ended 31 December		
	ended 30 June		2015	2014	2013
	2016	2015	2015	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Revenue	806,029	803,243	1,460,899	1,540,398	1,272,247
Gross profit	251,310	252,725	462,577	491,949	386,647
Profit for the year/period	100,015	160,836	172,501	260,951	235,754

For the year ended 31 December 2014

FY2014 was the first full fiscal year for the Group since its listing on the Main Board of the Stock Exchange. As stated in the 2014 Annual Report, the Group achieved sound growth in FY2014 and the Group continued to enhance its provision of comprehensive marketing, promotion and channel management services to small and medium-sized overseas pharmaceutical product and medical device suppliers. The Group also continued to strengthen its relationship with Alcon, the world’s largest eye care products company, via the provision of co-promotion and channel management services.

LETTER FROM BAOQIAO

The revenue of the Group increased from approximately RMB1,272.2 million for FY2013 to approximately RMB1,540.4 million for FY2014 by approximately 21.1%. According to the 2014 Annual Report, revenue generated from products sold via the provision of comprehensive marketing, promotion and channel management services increased from approximately RMB486.0 million in 2013 to approximately RMB673.4 million in 2014 by approximately 38.5%, primarily due to (i) increased sales of certain of existing key products, including Fluxum, Polimod, Macmiror Complex and Macmiror, as a result of the expansion of coverage of these products through the marketing network; (ii) increased sales of products with vast market potential, including Neoton and Easyhaler, as a result of increased promotion efforts; (iii) increased sales of medical devices; and (iv) the overall growth of market demand for products. Revenue generated from products sold via the provision of co-promotion and channel management services increased from RMB786.2 million in 2013 to RMB867.0 million by approximately 10.3% in 2014, primarily due to increased promotion efforts for the eight Alcon products for which the Group provided co-promotion services as well as the increasing market demand for Alcon products.

The profit for the year increased from approximately RMB235.8 million for FY2013 to approximately RMB261.0 million for FY2014 by approximately 10.7%. As disclosed in the 2014 Annual Report, excluding the effects of acquiring a controlling equity stake and the debt restructuring of Covex group (including foreign exchange losses and the consolidated profit or loss account) amounting to a loss of RMB3.8 million and combined with the investment loss on an associate company, Q3 amounting to RMB15.3 million, the adjusted net profit of the Group would have amounted to RMB280.1 million in 2014.

For the year ended 31 December 2015

The revenue of the Group decreased from approximately RMB1,540.4 million for FY2014 to approximately RMB1,460.9 million for FY2015 by approximately 5.2%. As stated in the 2014 Annual Report, revenue generated from products sold via the provision of comprehensive marketing, promotion and channel management services decreased from approximately RMB673.4 million for FY2014 to approximately RMB597.3 million for FY2015 by approximately 11.3%, primarily due to (i) sales of medical device product WaveLight Eagle laser surgical series decreased approximately RMB57.6 million, representing a decrease of approximately 75.0% as compared to last year, due to a suspension of tender process on large scale equipment in public hospitals; and (ii) sales of Polimod decreased by approximately 3.1% due to the delay in the renewal of the imported drug licence. Revenue generated from products sold via the provision of co-promotion and channel management services slightly decreased from approximately RMB867.0 million for FY2014 to approximately RMB863.6 million in 2015 by approximately 0.4%, primarily due to Alcon adjusted the business strategy in China through taken a number of internal measures which resulted in temporary fluctuation on marketing and promotion of Alcon's pharmaceutical products.

LETTER FROM BAOQIAO

The Group's profit decreased from approximately RMB261.0 million for FY2014 to approximately RMB172.5 million for FY2015 by approximately 33.9%. As stated in the 2015 Annual Report, if excluding (i) an impairment loss of approximately RMB41.3 million on investment in associates; (ii) an impairment loss on goodwill of approximately RMB14.7 million; and (iii) the Group's share of loss of associates of approximately RMB28.9 million, the adjusted net profit of the Group would have amounted to approximately RMB257.4 million for FY2015.

For the six months ended 30 June 2016

The Group's total revenue increased from approximately RMB803.2 million for 1H2015 to approximately RMB806.0 million for 1H2016 by approximately 0.3%. As shown in the 2016 Interim Report, such increase was primarily attributable to the increase in the revenue generated from products sold via the provision of co-promotion and channel management services by approximately RMB36.1 million, which were offset by the decrease in revenue generated from pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services of approximately RMB26.5 million and decrease in revenue generated from medical devices sold via the provision of comprehensive marketing, promotion and channel management services of approximately RMB6.8 million for the 1H2016 comparing to that of 1H2015 respectively.

The Group's profit for the year decreased from approximately RMB160.8 million for 1H2015 to approximately RMB100.0 million for 1H2016 by approximately 37.8%. As shown in the 2016 Interim Report, such decrease was mainly caused by the increase of approximately RMB39.6 million in distribution and selling expenses, the increase of approximately RMB11.0 million in share of loss of associates, including the approximately RMB6.4 million impairment loss recognised in relation to the interests in Q3, and the decrease of approximately RMB10.7 million in interest on bank deposits, for the 1H2016 comparing to 1H2015 respectively.

Financial Position as at 30 June 2016

As at 30 June 2016, the Group had unaudited (i) net assets of approximately RMB1,043.7 million; (ii) non-current assets of approximately RMB275.1 million (mainly comprising property, plant and equipment of approximately RMB76.1 million, intangible assets of approximately RMB61.6 million, interests in associates of approximately RMB58.5 million and finance lease receivables of approximately RMB52.8 million); (iii) current assets of approximately RMB1,479 million (mainly comprising inventories of approximately RMB555.6 million, trade and other receivables of approximately RMB441.7 million, bank balances and cash of approximately RMB295.7 million and pledged bank deposits of approximately RMB150.7 million); (iv) current liabilities of approximately RMB659.4 million (mainly comprising trade and other payables of approximately RMB382.8 million and bank borrowings of approximately RMB252.8 million); and (v) non-current liabilities of approximately RMB51.9 million (mainly comprising long-term liabilities of approximately RMB22.2 million, deferred tax liabilities of

LETTER FROM BAOQIAO

approximately RMB15.8 million and obligation under finance leases of approximately RMB13.6 million).

2. Information of the Target Group and the Internal Reorganisation

As stated in the Letter from the Board, 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.

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.

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:

Company Name	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 <i>(Note)</i>

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 confirmed that he has no plan to change the business operation of Pioneer Medident in any material respects following Completion.

LETTER FROM BAOQIAO

Set out below is a summary of the net loss before and after tax and extraordinary items of the Target Company prepared by CA.sg PAC, public accountants and chartered accountants in Singapore, 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
	US\$	US\$
Net loss before taxation	308,093	14,392,527
Net loss after taxation	490,531	14,392,527

We have reviewed the financial performance of the Target Group by looking into the auditor's report of the Target Group for FY2015, which is provided by the Company.

The revenue of the Target Group decreased from approximately US\$35.4 million or RMB240.5 million for FY2014 to approximately US\$21.7 million or RMB147.4 million for FY2015 by approximately 38.7%. The Target Group's loss after tax substantially increased from approximately US\$0.5 million or RMB3.4 million for FY2014 to approximately US\$14.4 million or RMB97.8 million for FY2015 by approximately 2,880.0%.

As at 31 December 2015, the net liabilities of the Target Company were US\$14.1 million or approximately RMB95.8 million comparing to the net assets of approximately US\$0.3 million or approximately RMB2.0 million as at 31 December 2014.

It is noted that the financial performance of Target Group deteriorated significantly during FY2015 with an increased loss after tax and the Target Group was in a net liabilities financial position as at 31 December 2015 comparing to financial position with a net asset value as at 31 December 2014.

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.

3. Reasons for the Disposal and Use of Proceeds

(a) *Reasons for the Disposal*

As advised by the management of the Company and discussed in the Letter from the Board, we noted the following reasons for and benefits of entering into the Agreement (as supplemented by the Supplemental Agreement):

- (i) As disclosed in the 2015 Annual Report, 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. Since the Group has ceased to purchase, or has

LETTER FROM BAOQIAO

not commenced any purchases (as the case may be) products from either Covex or Q3, the investment in these companies no longer fit into the Group's strategic rationale.

As disclosed in the Letter from the Board, since the acquisition of Covex by the Group in 2014, 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. 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 up to the Latest Practicable Date, the Group had 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.

On the other hand, although 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 Market, there have been delays in the research and development progress of the TsunaMed products of Q3 and consequentially the prospects of commercialisation of such products in the near future are becoming uncertain.

Having considered that the Group does not expect to make any further purchases from Covex and that the prospects of commercialisation of Q3's products in the near future are becoming uncertain, we concur with the view of the management of the Company that the investment in Covex and Q3 no longer fit into the Group's strategic rationale;

- (ii) As mentioned in the Letter from the Board and above, 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 (equivalent to approximately RMB0.488 million, RMB0.976 million and RMB0.976 million), representing approximately 0.14%, 0.41% and 0.66% of the total revenue of the Target Group respectively. Since Pioneer Medident's revenue contribution only accounts for small portion of the revenue of the Group, we concur with the view of the Directors that the investment in Pioneer no longer fit into the Group's strategic rationale;
- (iii) The Target Group and Q3 have been loss-making and their negative financial performances have adversely affected the financial

LETTER FROM BAOQIAO

performance of the Group as a whole. 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. 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. Accordingly, the Directors believe that the negative financial performance of the Target Group and Q3 may continue to cast further uncertainty on the Group's overall financial performance (if they were to stay within the Group);

- (iv) As disclosed in the Letter from the Board, the Company did not receive any alternative offer other than Mr. Li's offer to acquire the Target Group; and
- (v) As disclosed in the Letter from the Board, the Company estimates that the Group will record an unaudited gain of approximately RMB8.9 million from the Disposal, which will improve the Company's financial performance and financial position.

(b) Use of proceeds

As stated in the Letter from the Board, it is expected that the Company will receive net cash proceeds of approximately RMB158.4 million (equivalent to approximately HK\$181.8 million) from the Disposal. The Group intends to apply the net proceeds for general working capital purpose.

(c) Our view

Given that (i) the investments in Covex, Q3 and Pioneer Medident companies no longer fit into the Group's strategic rationale as discussed above; (ii) the negative financial performance of the Target Group over the past few years has adversely affected the financial performance of the Group and it may continue to cast further uncertainty on the Group's overall financial performance (if they were to stay within the Group); (iii) the Company did not receive any alternative offer other than Mr. Li's offer to acquire the Target Group; (iv) it is estimated that the Group will record an unaudited gain of approximately RMB8.9 million from the Disposal, which will improve the Company's financial performance and financial position; and (v) the proceeds from the Disposal can help to finance the operation of the Group's businesses, we concur with the view of the Directors 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 Q3 and is expected to improve the overall financial performance of the Group.

4. Principal Terms of the Agreement

Pursuant to the Agreement, Mr. Li has agreed to acquire, and the Seller has agreed to sell the entire issued share capital of the Target Company.

Upon Completion, the Target Group will cease to be subsidiaries of the Company.

LETTER FROM BAOQIAO

Please refer to the section headed “THE AGREEMENT” in the Letter from the Board for further details of the Agreement (as supplemented by the Supplemental Agreement).

(a) *The Consideration*

As disclosed in the Letter from the Board, the Consideration for the Disposal is RMB158,358,539 (equivalent to approximately HK\$181,795,603).

(i) *Basis of Determination of Consideration*

As disclosed in the Letter from the Board, 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” in the Letter from the Board; (ii) the unaudited net liabilities of the Target Group as at 30 June 2016 of approximately RMB124.0 million; (iii) the deemed settlement of the net account payables by the Target Group to the Group of approximately RMB334.1 million as at 30 June 2016 following Completion; (iv) the aggregate amount of losses of Q3 and NovaBay for the 1H2016 of approximately RMB14.9 million; and (v) the effect of the Internal Reorganisation including (x) the book value of NovaBay of approximately RMB25.2 million as at 30 June 2016; (y) the accumulated loss of NovaBay for the 1H2016 of approximately RMB6.0 million; and (z) the total funds utilised by the Target Group for further investment in NovaBay by the Group in 2016 of approximately RMB35.5 million.

For our due diligence purpose, we have requested and obtained from the Company the unaudited management account of the Target Group for the six months ended 30 June 2016 (the “**Management Account**”), and we noted from the Management Account that the net liabilities of the Target Group was approximately RMB124.0 million (the “**June Net Liabilities**”), the net account payables by the Target Group to the Group by aggregating of the account payables and receivables between the Target Group and members of the Group was approximately RMB334.1 million (the “**Net Account Payables**”), the amount of accumulated loss of Q3 during the 1H2016 of approximately RMB8.9 million (the “**Q3 Loss for 1H2016**”) and the net assets of NovaBay would be approximately RMB60.7 million adjusted by adding back the total funds utilised for further investment in NovaBay by the Group in 2016 of approximately RMB35.5 million to the book value of NovaBay of approximately RMB25.2 million (the “**Adjusted NovaBay NAV**”) respectively as at 30 June 2016. Based on the above, the net liabilities of the Target Group as at 30 June 2016 adjusted by the Adjusted NovaBay NAV after Internal Reorganisation would be RMB184.7 million. After further considering the settlement of the Net Account Payables as agreed by Mr. Li, the net assets value of the Target Group as at 30 June 2016 would reach RMB149.4 million (the “**Adjusted Target Group NAV**”). In addition, Mr. Li is willing to bear the Q3 Loss for 1H2016 of approximately RMB8.9 million, making the total

LETTER FROM BAOQIAO

consideration reach approximately RMB158.3 million, which equals to the Consideration. The Consideration represents a premium of approximately 6.0% over the Adjusted Target Group NAV.

In order to evaluate the fairness and reasonableness of the Consideration, we considered a comparison of the considerations of the disposals to connected persons by other companies listed on the Stock Exchange during the period from 17 July 2016, being three months immediately preceding the date of the Agreement, and up to and including 17 October 2016, being the date of the Agreement (the “**Review Period**”). In view of the June Net Liabilities of the Target Group, being approximately RMB124.0 million (equivalent to approximately HK\$142.4 million) and the market capitalisation of the Company of approximately HK\$2.91 billion as at the date of the Announcement, we have conducted research on the announcements from the Stock Exchange’s website, for disposals to connected persons by other companies (the “**Comparable Companies**”) listed on the Main Board and the Growth Enterprise Market of the Stock Exchange (the “**Disposal Announcements**”) with (i) net liabilities position of the target(s) to be disposed (the “**Disposal Target(s)**”); and (ii) market capitalisations of the Comparable Companies in the range from HK\$2.0 billion to HK\$4.0 billion at the dates of Disposal Announcements.

To the best of our knowledge and as far as we are aware, we have identified a complete and exhaustive list of 2 disposal comparables (the “**Disposal Comparables**”) which fulfill the abovementioned criteria and we consider the Disposal Comparables are fair and representative comparables when assessing the fairness and reasonableness of the Consideration.

The table below shows the details of the Disposal Comparables:

No.	Company name	Stock code	Date of announcement	Latest net liabilities of the Disposal Target(s) <i>(Note 1), (Note 2)</i> <i>(HK\$ million)</i>	Consideration <i>(Note 1)</i> <i>(HK\$)</i>
1	Shougang Concord International Enterprises Company Limited	697	03-Oct-2016	4,460.0	1.00
2	New Focus Auto Tech Holdings Limited	360	19-Jul-2016	19.3	0.24
				Minimum	0.24
				Maximum	1.00
				Average	0.62
	The Company			142.4	181,795,602.77

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Notes:

1. In case the consideration is denominated in other currencies, such amount is converted to HK\$ based on the exchange rates of RMB1.00 = HK\$1.148 and NTD1.00 = HK\$0.24, which is for illustration purpose only.
2. Latest net liabilities refer to such latest net liabilities attributable to the Comparable Companies as shown in the respective Disposal Announcements.

As shown in the above table, both of the considerations of the Disposal Comparables are nominal considerations against the net liabilities positions of the Disposal Targets. The considerations of the comparables range from HK\$0.24 to HK\$1.00, with an average of approximately HK\$0.62. The Consideration of RMB158,358,539 (approximately HK\$181,795,602.77) of the Disposal substantially exceeds the considerations of the Disposal Comparables.

In addition, we have considered the commonly adopted approaches in evaluation of a company include the price to book ratio (“**PBR**”) and the price to earnings ratio (“**PER**”) to the fairness and reasonableness of the Consideration. However, given that the Target Group was loss making for FY2015 and had a net liabilities position based on its latest audited financial information, neither PER analysis nor PBR analysis is applicable.

Given that (i) both of the considerations of the Disposal Comparables are nominal considerations against the net liabilities positions of the Disposal Targets and Consideration is substantially higher than the considerations of the Disposal Comparables; (ii) the Consideration represents a premium of approximately 6.0% over the Adjusted Target Group NAV; and (iii) the Group expects to realize a possible gain (before expenses) on Disposal approximately HK\$8.9 million, we are of the view that the Consideration is on normal commercial term and fair and reasonable so far as the Independent Shareholders are concerned.

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(ii) *Payment Term*

As disclosed in the Letter from the Board, the payment term of the Consideration is as follows:

The Consideration is payable by Mr. Li to the Seller according to the following timetable:

Time for payment of Consideration	Amount
1. Completion Date	RMB1,350,000
2. No later than the date falling on the first anniversary of the Completion Date	not less than 25% of the Consideration (i.e. RMB39,589,634.75) (including any prior payments)
3. No later than the date falling on the third anniversary of the Completion Date	not less than 60% of the Consideration (i.e. RMB95,015,123.40) (including any prior payments)
4. No later than the date falling on the fifth anniversary of the Completion Date	the remaining amount of the Consideration

Mr. Li is required to pay to the Seller interest on the amount of the Consideration 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. Such interest is payable annually and any interest amount overdue will accrue interest at the same interest rate stated above.

Subject to the Completion taking place, Mr. Li will enter into a share charge in respect of the Sale Share in favour of the Seller as security for his payment obligations under the Agreement.

The staged payment arrangement of the Consideration for a term of up to five years under the Agreement (the “**Staged Payment Term**”) will constitute financial assistance to be provided by the Group to Mr. Li within the meaning of the Listing Rules.

We have discussed with the management of the Company and we are given to understand that the account payables owed to the Group by the Target Company are non-interest bearing. We further understand from the management of the Company that the Company receives annual interest rates ranges from 0.35% to 1.5% per annum for most of its existing bank deposits.

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Given the interest rate of 4.75% per annum to be paid by Mr. Li to the Company is (i) based on the prevailing benchmark interest rate published by the People's Bank of China; (ii) higher than the zero interest rate of the account payables; and (iii) higher than the interest rates that can be received by the Company for most of its existing bank deposits, we are of the view that the interest rate of 4.75% per annum to be paid by Mr. Li to the Company is fair and reasonable and on normal commercial term.

As disclosed in the Letter from the Board, the Staged Payment Term is a commercial decision between the parties reached after arm's length negotiation. After considering that (i) the Staged Payment Term provides certainty for the Group to realise its investment in the Target Group in light of current unsatisfactory performance, the net liabilities positions of the Target Group for FY2015 and the uncertainty in future performance of the Target Group; (ii) the Company did not receive alternative offer other than Mr. Li's offer to acquire the Target Group; (iii) interest payable by Mr. Li to the Seller for the outstanding Consideration appropriately compensates the Seller during the period while the Consideration is outstanding; (iv) the Company may make further impairment on the Target Group at the year end of 2016 given the current continuous loss-making performances of the Target Group since FY2014, which may have a negative impact on the net profit attributable to the Shareholders for the year ended 31 December 2016 and thereafter if the Target Group remains in the Company, we concur with the view of the Directors that the Staged Payment Term, and therefore the Provision of Financial Assistance, is fair and reasonable and on normal commercial term.

As further disclosed in the Letter from the Board, Mr. Li has undertaken to the Seller and the Company that he will apply not less than 20% of any dividend payments in respect of the Shares that he and Pioneer BVI may receive from the Company during the Staged Payment Term to settle the Consideration and any interest accrued thereon (the "**Dividend Undertaking**"). For analysis purpose, we have reviewed the 2014 Annual Report, the 2015 Annual Report, the 2016 Interim Report and the relevant announcements regarding the distribution of dividends of the Company and we noticed that the Company had declared annual dividends of RMB0.170 per Share, RMB0.093 per Share for the FY2014 and FY2015, and interim dividend of RMB0.071 per Share for 1H2016. As advised by the Company, they do not have a plan to change the dividend policy as at the Latest Practicable Date. Provided that there is no material change to the Company's dividend policy and assuming Mr. Li's shareholding in the Company remains unchanged, Mr. Li will be obliged to utilise not less than 20% of the dividend he and Pioneer BVI may receive to settle part of the outstanding Consideration and interest pursuant to the Dividend Undertaking.

In addition, we noticed from the Letter from the Board that (i) Mr. Li shall pay interest annually and any interest amount overdue shall accrue interest at the same interest rate stated above; (ii) subject to Completion taking place, Mr. Li undertakes to enter into a share charge in respect of the

LETTER FROM BAOQIAO

Sale Share in favour of the Seller as security for his payment obligations under the Agreement (as supplemented by the Supplemental Agreement); and (iii) in the event that the Board is required to consider any matters relating to the Disposal which Mr. Li may have a conflict of interest, such as initiating actions to recover any overdue payment and enforcing the share charge, the Board will seek views and decisions from a committee of the Board of which Mr. Li will not be a member. As such, we are of the view that the above mentioned measures will reduce the risk to the Company in relation to Staged Payment Term and safeguard the interest of the Company.

(iii) Our View

Having considered the above reasons, we concur with the view of the Directors that the terms of the Disposal (including the Provision of Financial Assistance) are fair and reasonable, on normal commercial terms and in the interests of the Company and Independent Shareholders as a whole.

(b) Other terms

We have also reviewed the other major terms of the Agreement (as supplemented by the Supplemental Agreement) and are not aware of any terms which are uncommon. Accordingly, we consider that the terms of the Agreement (as supplemented by the Supplemental Agreement) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

5. Possible Financial Effects of the Disposal

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. When assessing the financial impacts of the Disposal, we have taken into account the following aspects:

(a) Earnings

As stated in the Letter from the Board, 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.

Furthermore, having considered the recent financial performances of the Target Group, more particularly, the net loss incurred by Target Group in the FY2014 and FY2015 as described above, it is expected that the Disposal would improve the profitability of the Group.

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(b) Net Assets

According to the 2016 Interim Report, the unaudited consolidated net assets attributable to Shareholders of the Company amounted to approximately RMB1.0 billion as at 30 June 2016. Taking into account the estimated gain on disposal of approximately RMB8.9 million, it is expected that the Disposals would increase the net assets of the Group upon Completion.

(c) Liquidity and working capital

According to the Letter from the Board, the net proceeds of approximately RMB158.4 million from the Disposal will be used by the Group for general working capital purpose. It is expected that the Disposal will have a positive effect on the cash flow of the Group.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon Completion.

RECOMMENDATION

Having taken into consideration the above principal factors and reasons, we are of the view although the entering into the Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder are not ordinary businesses of the Group, the terms of the Disposal (including the Provision of Financial Assistance) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the relevant resolution at the EGM to ratify and approve the Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
BaoQiao Partners Capital Limited
Monica Lin
Managing Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests or short positions of the Directors and chief executives of the Company

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under section 344 of the SFO) or which were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”), to be notified to the Company and the Stock Exchange, were as follows:

Long position in the Shares

Name of Directors	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding in the Company
Li Xinzhou	Founder of a discretionary trust (Note 1)	921,824,000	69.14%
	Beneficial owner	9,652,000	0.72%
	Interest of spouse (Note 2)	1,403,000	0.11%
Wang Yinping	Beneficial owner	1,300,000 (Note 3)	0.10%
Zhu Mengjun	Beneficial owner	2,969,000 (Note 4)	0.22%

Notes:

1. Mr. Li Xinzhou is a founder of the discretionary trust and was deemed to be interested in 921,824,000 Shares held under the discretionary trust.
2. Such 1,403,000 Shares were held by Ms. Wu Qian, the spouse of Mr. Li Xinzhou. Accordingly, Mr. Li Xinzhou was deemed to be interested in such 1,403,000 Shares.
3. Mr. Wang Yiping was interested in 1,300,000 Shares, all of which were awarded and granted to Mr. Wang Yiping on 9 October 2015 under the Share award scheme of the Company adopted on 10 April 2015 (“Share Award Scheme”).
4. Mr. Zhu Mengjun was interested in 2,969,000 Shares, of which 1,100,000 Shares were awarded and granted to Mr. Zhu Mengjun under the Share Award Scheme on 9 October 2015.

(b) Interest of the Directors and chief executives of the Company in Company’s associated corporations

Name of Directors	Name of associated corporation	Number of issued share capital interest	Approximate percentage of shareholding
Mr. Li	Pioneer BVI (<i>Note 1</i>)	4,950,000	100%
	Tian Tian Limited	2	100%
	(<i>Note 1</i>) Q3	29,903	6.67%
Mr. Zhu Mengjun	Q3 (<i>Note 2</i>)	1,176	0.26%

Notes:

1. The 4,950,000 shares in Pioneer BVI is beneficially owned by Tian Tian Limited. UBS Trustees (BVI) Limited, as trustee of the discretionary trust (which Mr. Li is the founder), through its controlled corporations (being Tian Tian Limited and Pioneer BVI) was deemed to be interested in the Shares held by Pioneer BVI.
2. Mr. Zhu’s shareholding in Q3 is held by Mr. Yuen Seng Cheong on his behalf.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had registered an interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, so far as was known to the Directors and except as disclosed in this circular, none of the Directors was also directors or employees of a company which has an interest or short position in the Shares and underlying Shares, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(c) Substantial shareholders and other persons' interests in long positions

As at the Latest Practicable Date, so far as the Directors were aware and in accordance with the records in the register kept by the Company under section 336 of the SFO, the following persons or entities, not being a Director or chief executive of the Company, had interests or short positions in the Shares or underlying shares of the Company:

Name of Substantial Shareholders	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding in the Company
Wu Qian	Founder of a discretionary trust (<i>Note 1</i>)	921,824,000	69.14%
	Interest of spouse (<i>Note 2</i>)	9,652,000	0.72%
	Beneficial owner	1,403,000	0.11%
Tian Tian Limited (<i>Note 5</i>)	Interest of controlled corporation (<i>Note 3</i>)	921,824,000	69.14%
UBS Trustees (BVI) Limited	Trustee (<i>Note 4</i>)	921,824,000	69.14%
Pioneer BVI (<i>Note 5</i>)	Beneficial owner	921,824,000	69.14%

Notes:

- Ms. Wu Qian is a founder of the discretionary trust and is deemed to be interested in 921,824,000 Shares held under the discretionary trust.
- Such 9,652,000 Shares are held by Mr. Li Xinzhou, the spouse of Ms. Wu Qian. Accordingly, Ms. Wu Qian is deemed to be interested in such 9,652,000 Shares.
- Tian Tian Limited through its controlled corporation, Pioneer BVI, is deemed to be interested in 921,824,000 Shares held by Pioneer BVI.
- UBS Trustees (BVI) Limited, as trustee of the discretionary trust, through its controlled corporations (being Tian Tian Limited and Pioneer BVI) is deemed to be interested in 921,824,000 Shares held by Pioneer BVI.
- Mr. Li Xinzhou is a director of each of Pioneer BVI and Tian Tian Limited.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any persons (who were not directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, a service contract with any member of the Group which does not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS AND COMPETING BUSINESS

As at the Latest Practicable Date, save for Mr. Li's interest in the Disposal and the transactions contemplated under the Agreement as disclosed in this circular,

- (i) none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group, apart from their service contracts;
- (ii) none of the Directors and his respective close associates had any competing interests (as would be required to disclose under Rule 8.10 of the Listing Rules as if each of them was a controlling shareholder); and
- (iii) none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2015, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest published audited financial statements of the Group were made up, save for the matters disclosed in the interim report of the Company for the six months ended 30 June 2016 and the announcement of the Company dated 8 November 2016.

5. QUALIFICATIONS AND CONSENT OF EXPERT

The following is the qualification of the IFA who has given its opinions or advice contained or referred to in this circular:

Name	Qualifications
BaoQiao	a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

BaoQiao has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, BaoQiao had no shareholding in any member of the Group nor the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, BaoQiao had no interest, direct or indirect, in any assets which had been, since 31 December 2015, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong during normal business hours on any weekdays (except public holidays) from the date of this circular up to and including the date of the EGM:

- (a) the Articles;
- (b) the Agreement;
- (c) the Supplemental Agreement;
- (d) the letter from the Independent Board Committee containing its advice to the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;
- (e) the letter from BaoQiao containing its advice to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "Letter from BaoQiao" in this circular;
- (f) the written consent of BaoQiao referred to in the paragraph headed "Qualifications and Consent of Expert" in this appendix; and
- (g) this circular.



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of China Pioneer Pharma Holdings Limited (the “**Company**”) will be held at 10:00 a.m. on Thursday, 22 December 2016 at Azalea Hall, 1/F, Radisson Blu Hotel Shanghai Hong Quan, 210 Taopu Road, Putuo District, Shanghai for the purpose of considering and, if thought fit, passing (with or without modifications) the following ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT**

- (a) the execution and delivery of and the performance of the obligations under the share purchase agreement dated 17 October 2016, as amended and supplemented by the supplemental agreement dated 2 December 2016 (the “**Supplemental Agreement**”), entered into between the Pioneer Pharma (Hong Kong) Co., Limited (as seller) and Mr. Li Xinzhou (as purchaser) in relation to the sale and purchase (the “**Disposal**”) of the one ordinary share of SG\$1 in Pioneer Pharma (Singapore) Pte. Ltd. (the “**Agreement**”) (copies of the Agreement and the Supplemental Agreement have been produced to the meeting and marked “A” and “B” respectively and initiated by the chairman of the meeting for identification purposes) by the Company and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and
- (b) any one director of the Company be and is hereby authorised to sign, agree, ratify, perfect, execute or deliver (including under seal where applicable) such documents and to do or authorise doing all such acts and things incidental to the Agreement and the Supplemental Agreement and the transactions contemplated thereunder as he may in his absolute discretion consider necessary, desirable or expedient and in the best interest of the Company in connection with the implementation of, giving effect to or completion of the Disposal and the transactions contemplated thereunder.”

Yours faithfully,
By Order of the Board
China Pioneer Pharma Holdings Limited
Li Xinzhou
Chairman

Hong Kong, 6 December 2016

NOTICE OF THE EGM

Registered office:
190 Elgin Avenue
George Town
Grand Cayman
KY1-9005
Cayman Islands

*Principal place of business
in Hong Kong:*
36/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay, Hong Kong

Notes:

1. A shareholder entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as his proxy to attend and vote instead of him. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the meeting. A proxy need not be a member of the Company but must be present in person to represent him.
2. To be valid, the form of proxy together with any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or authority or other authority, must be deposited at the office of the Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time of the meeting or any adjournment thereof should he so wish.
3. The resolution to be put to vote at the extraordinary general meeting will be taken by way of poll in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the results of the poll will be published on the website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (www.hkexnews.hk).
4. A form of proxy for use in connection with the extraordinary general meeting is enclosed and such form is also published on the website of the Stock Exchange (www.hkexnews.hk).
5. The meeting will be conducted in Chinese and no translation will be provided.
6. The Shareholders whose names appear on the Share register of members of the Company on Thursday, 22 December 2016 are entitled to attend and vote at the EGM.

As at the date of this notice, the Directors are Mr. LI Xinzhou, Mr. WANG Yinping 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.