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SHANGHAI PIONEER HOLDING LTD

上海先锋控股有限公司

(Formerly known as China Pioneer Pharma Holdings Limited)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01345)

CONTINUING CONNECTED TRANSACTION PROVISION OF CONTINUING GUARANTEE TO A CONNECTED SUBSIDIARY

THE GUARANTEE FRAMEWORK AGREEMENT

On 28 October 2022, the Company, Hunan Tiantong and Mr. Li entered into the Guarantee Framework Agreement, pursuant to which the member companies of the Group agreed to provide the Guarantee of an aggregate amount of not more than RMB500 million to the member companies of Hunan Tiantong Group in respect of their application for loans from the banks, whereas Mr. Li, a controlling Shareholder, will provide the Counter Guarantee for the Guarantee.

The Guarantee Framework Agreement is valid for a term of three years and will be effective from the date on which the approval from Independent Shareholders is obtained at the EGM, among which, the Counter Guarantee will take effect on the same date as the Guarantee until the termination of the Company's obligations under the Guarantee.

LISTING RULES IMPLICATIONS

Hunan Tiantong is a non-wholly owned subsidiary of the Company in which 39% of equity interest is owned by Tiandao Medical, an associate of Mr. Li. Therefore, Hunan Tiantong is a connected subsidiary of the Company and the provision of the Guarantee to Hunan Tiantong by the Company constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (excluding profits ratio) (as defined in Rule 14.07 of the Listing Rules) in respect of the annual caps of the Guarantee under the Guarantee Framework Agreement exceeds 25%, the Guarantee contemplated under the Guarantee Framework Agreement shall be subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. As Hunan Tiantong is a subsidiary of the Company, the Guarantee does not constitute a notifiable transaction of the Company under Rule 14.04 of the Listing Rules.

As the Counter Guarantee is on normal or better commercial terms to the Group and will not be secured by the assets of any member company of the Group, the Counter Guarantee is fully exempted from the reporting, announcement, annual review and independent shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

CONVENING OF EGM, APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER AND DESPATCH OF CIRCULAR

The Company will convene the EGM to seek for approval from the Independent Shareholders for the Guarantee Framework Agreement and the Guarantee contemplated thereunder (including the annual caps of the Guarantee). The Guarantee Framework Agreement shall be effective from the date on which the approval is obtained at the EGM.

The Independent Board Committee comprising of all independent non-executive Directors has been established to advise the Independent Shareholders in relation to the Guarantee Framework Agreement and the Guarantee (including the annual caps of the Guarantee) contemplated thereunder. Maxa Capital has been engaged as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) details of the Guarantee Framework Agreement; (ii) the letter from the Independent Board Committee; (iii) the letter from the Independent Financial Adviser; (iv) the notice of the EGM; and (v) other information required under the Listing Rules is expected to be despatched to the Shareholders on or before 18 November 2022.

On 28 October 2022, the Company, Hunan Tiantong and Mr. Li entered into the Guarantee Framework Agreement, pursuant to which the member companies of the Group agreed to provide the Guarantee of an aggregate amount of not more than RMB500 million to the member companies of Hunan Tiantong Group in respect of their application for loans from the banks, whereas Mr. Li, a controlling Shareholder, will provide the Counter Guarantee for the Guarantee.

The Guarantee Framework Agreement is valid for a term of three years and will be effective from the date on which the approval from Independent Shareholders is obtained at the EGM, among which, the Counter Guarantee will take effect on the same date as the Guarantee until the termination of the Company's obligations under the Guarantee.

PRINCIPAL TERMS OF THE GUARANTEE FRAMEWORK AGREEMENT

Date: 28 October 2022

Parties:

- a) The Company, as guarantor;
- b) Hunan Tiantong, as obligor; and
- c) Mr. Li, as counter guarantor

Guarantee principles: The parties agreed that the provision of the Guarantee shall be based on reasonable and arm's length negotiations among the parties, on a normal commercial basis, and in the interests of the Shareholders as a whole. The Company has the sole discretion to decide whether or not to approve the implementation and determination of a particular guarantee.

In the event that Hunan Tiantong Group fails to repay its debts when due, the Company has no obligation to enter into any agreements or arrangements for granting any new guarantee or extending any existing guarantee.

The Guarantee: During the validity period of the Guarantee Framework Agreement, the cap of the guarantees to be provided by the member companies of the Group, at the requests made by the member companies of Hunan Tiantong Group, shall not exceed RMB500 million in aggregate. Such cap of the guarantee can be rolled over within the term of the Guarantee Framework Agreement, provided that the guarantee to be re-granted shall not exceed the available guarantee balance. In the event that the aforesaid cap is exceeded, the amounts and terms of the guarantee to be granted shall be determined by each party in accordance with the terms of the Guarantee Framework Agreement, and to be approved by the guarantor in accordance with its articles of association and complied with the applicable requirements under the Listing Rules.

Counter Guarantee:

Mr. Li shall provide joint liability guarantee by way of separate personal property for any amounts payable by the Company under the Guarantee, including (i) the actual amounts payable by the Company with respect to the indebtedness owing by Hunan Tiantong to the financial institutions; (ii) all costs incurred by the Company in exercising its rights under the Counter Guarantee; and (iii) any other costs which shall be borne by the counter guarantor.

The Counter Guarantee shall take effect on the same date as the Guarantee until the termination of the Company's obligations under the Guarantee.

Guarantee fee:

Hunan Tiantong Group shall pay certain guarantee fees to the Company during the validity period of the Guarantee Framework Agreement. The guarantee fees are to be calculated at an annualized rate of 0.1% in respect of the actual loan amounts being drawn under the loan facilities contract and based on the drawdown period (including the first and last days) until the release or termination of the guarantees granted under the Guarantee Framework Agreement. The guarantee fees shall be settled on 31 December of each year and paid before the end of January of the next year.

The guarantee fee rate was determined on an arm's length basis among all parties after taking into account the following factors: (i) the general market practices in respect of the provision of corporate guarantees to connected persons in Hong Kong capital market; (ii) the rate of guarantee fees paid to their controlling shareholders recently published by Hong Kong listed companies; and (iii) the liability risk borne by the guarantor in providing the guarantee for the obligor shall be reasonably controllable.

Validity period:

The Guarantee Framework Agreement will be effective from the date of approval by the Independent Shareholders at the EGM with a validity period of three years.

In principle, subject to the compliance with the Listing Rules, each guarantee granted under the Guarantee Framework Agreement during the validity period shall remain valid until the termination date under the individual guarantee contract to be entered into. If the time limit of any individual guarantee contract to be entered into by the Company during the validity period exceeds the validity period (if any), the Company will comply with the relevant requirements under the applicable Listing Rules from time to time by making an announcement or seeking prior approval of the Independent Shareholders.

THE PROPOSED ANNUAL CAPS OF THE GUARANTEE AND THEIR BASIS

The cap of the Guarantee is RMB500 million, which was determined on an arm's length basis by the parties after taking into account the following factors:

1. The expected loan amount required by Hunan Tiantong Group in respect of its construction of project production lines and commencement of operation: Hunan Tiantong Group plans to build several large-scale project production lines in the next three years, such as the ship, steel plate and other special-shaped parts cleaning/cold galvanizing project in Dalian, the carbon steel acid-free cleaning project in Taicang, Suzhou, and the stainless steel special-shaped parts acid-free cleaning project in Longwan, Wenzhou. The annual capacity of each project is expected to be 200,000 tons to 3 million tons. Based on the total investment of such projects and their development plans, the estimated maximum daily balance of loans borrowed by Hunan Tiantong Group from the banks will be approximately RMB450 million.
2. It is expected that Hunan Tiantong Group will continue to improve its operation management and the market share in the next three years. With the future internal resources of Hunan Tiantong Group and combined with relevant measures such as the expansion of financing channels and the optimization of debt structure, its demand for the Guarantee of the Company will remain consistent with the expected loan amount.
3. The financial position of the Group and Mr. Li (as counter guarantor): with good operations and sufficient capital, as of 30 June 2022, the Group had total assets of approximately RMB1.311 billion, monetary funds of approximately RMB193 million, financial assets, such as structured deposits, which can be converted into monetary funds within one to three months, of approximately RMB214 million, net assets of RMB951 million, with gearing ratio of 27.45% and current ratio of 3.15. Mr. Li is in a sound financial position, holding real estates and stock worth over RMB3 billion, and has sufficient financial capacity to provide Counter Guarantee support for the Guarantee.
4. A buffer of 10% on top of the estimated total amount required for item 1 above to cover any unforeseen increase in project construction and production costs of Hunan Tiantong Group and other risks.

REASONS FOR AND BENEFITS OF THE PROVISION OF THE GUARANTEE

As at the date of this announcement, Hunan Tiantong is indirectly held as to 55% by the Company and is a connected subsidiary of the Company. The Company, as the controlling shareholder of Hunan Tiantong, is of the view that the provision of the Guarantee pursuant to the Guarantee Framework Agreement for a three-year period effective from the date on which the approval from Independent Shareholders is obtained at the EGM can better facilitate the rapid and foreseeable business development of Hunan Tiantong Group in the near future. The Company, as the ultimate controlling shareholder of Hunan Tiantong, will take into account of its own financial condition and provide the Guarantee to Hunan Tiantong, subject to its compliance with the requirements under the Guarantee Framework Agreement. The Guarantee does not have any effect on the profit, asset and liability of the Group.

Considering that Hunan Tiantong Group is still in the critical stage of its development where it has made effective development into the downstream in recent years, the provision of the Guarantee enables it to secure sufficient investment capital and reduce financial expenses, to better seize the opportunity of building production lines and expand the production capacity quickly for expanding into the environmental protection industry. The Guarantee is conducive to Hunan Tiantong Group's rapid expansion of market share and the improvement of its profitability. It supports to lay a solid foundation for its financial resources, which will provide higher profit return for the Company in the future. It will further improve the enterprise value of Hunan Tiantong Group, which is in alignment with the Company's strategic development. The Company will benefit from the provision of the Guarantee which will facilitate the daily operation and business of Hunan Tiantong Group to be supported by the loan facility, thus alleviating the Company's capital contribution requirement into Hunan Tiantong and optimizing the fund allocation of the Company to other business segments, therefore promoting the overall business development and strengthening the financial position of the Group.

In addition, it is a common commercial practice for financial institutions in the PRC to require guarantee from the controlling shareholders of a borrower for loan facilities. Given that Mr. Li will undertake to provide the Counter Guarantee for all obligations of the Company under the Guarantee, and that Hunan Tiantong Group will pay guarantee fees to the Company, the Directors consider that the risk exposure in respect of the Guarantee to the Company is reasonable and controllable.

Internal Control Measures

In respect of the Guarantee, to safeguard the interests of the Company and its Shareholders as a whole, particularly the minority Shareholders, the Company has adopted internal approval and monitoring procedures relating to the Guarantee, which include the followings:

1. Each loan facility to be conducted in respect of the Guarantee shall comply with the relevant financial management policies of the Company;
2. After obtaining the loan approval from any financial institutions, member companies of Hunan Tiantong Group shall submit it to the financial manager and the general manager of Hunan Tiantong, as well as the secretary to the Board and the chief financial officer of the Company for endorsement within the cap of the Guarantee approved by the Shareholders. Only upon such endorsement, member companies of Hunan Tiantong Group and member companies of the Group can enter into the loan agreement and guarantee agreement, respectively, with financial institutions.
3. The Company will conduct regular review and assess whether the loan facilities in respect of the Guarantee have been conducted in accordance with the terms of the relevant agreements, and monitor the actual transaction amount of the Guarantee. The finance department of the Company will prepare the monthly review report on continuing connected transactions and convene the review meeting on half-year basis. In addition, the finance department and the secretary to the Board shall submit and report the interim review results of the continuing connected transactions to the Board.

4. In the event that the amount of the Guarantee is expected to exceed the approved annual caps, the chief financial officer of the Company shall report to the management of the Company in a timely manner for its determination as to whether revision to the annual caps is required to ensure compliance with the requirements under the Listing Rules.
5. The auditor of the Company will conduct an annual review of the transactions in respect of the Guarantee.
6. As a controlling shareholder of Hunan Tiantong, the Company shall strengthen the supervision and management of its financial risks through the directors of Hunan Tiantong appointed by the Company, so as to prevent Hunan Tiantong from defaulting its repayment of loans in its best efforts.

In respect of the Counter Guarantee, the Company has also adopted the following internal control procedures to ensure that Mr. Li will comply with his obligations thereunder:

1. The Board will maintain active communication with Mr. Li and conduct regular investigation and assessment of Mr. Li's financial position to ensure that he has sufficient financial capacity to fulfill his obligations under the Counter Guarantee.
2. In the event that Mr. Li fails to fulfill his obligations under the Counter Guarantee, the Company is entitled to file a lawsuit in the court and apply to freeze Mr. Li's assets, and has priority to receive relevant compensation.

Having considered the internal control measures mentioned above, the Directors consider that such internal control measures are sufficient to ensure that the Guarantee will be entered into on normal commercial terms, and will not impair the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

Hunan Tiantong is a non-wholly owned subsidiary of the Company in which 39% of equity interest is owned by Tiandao Medical, an associate of Mr. Li. Therefore, Hunan Tiantong is a connected subsidiary of the Company and the provision of the Guarantee to Hunan Tiantong by the Company constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (excluding profits ratio) (as defined in Rule 14.07 of the Listing Rules) in respect of the annual caps of the Guarantee under the Guarantee Framework Agreement exceeds 25%, the Guarantee contemplated under the Guarantee Framework Agreement shall be subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. As Hunan Tiantong is a subsidiary of the Company, the Guarantee does not constitute a notifiable transaction of the Company under Rule 14.04 of the Listing Rules.

As the Counter Guarantee is on normal or better commercial terms to the Group and will not be secured by the assets of any member company of the Group, the Counter Guarantee is fully exempted from the reporting, announcement, annual review and independent shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

OPINION OF THE BOARD

The Board (excluding the opinion of independent non-executive Directors, which, after taking into account the opinion of the Independent Financial Adviser, will be included in the circular to be despatched to the Shareholders) considers that, although the Guarantee Framework Agreement was not entered into in the ordinary course of business of the Group, the terms of the Guarantee Framework Agreement are on normal commercial terms, which are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Board is also of the view that Mr. Li has sufficient financial capacity to fulfill his obligations under the Counter Guarantee and the risk of his default is within the controllable range and is relatively low.

As (i) the associates of Mr. Li, the executive Director and Chairman of the Company, hold 39% of the equity interest of Hunan Tiantong; (ii) Mr. Xiao Guoguang, the executive Director of the Company, holds 6% of the equity interest of Hunan Tiantong, both Directors have abstained from voting on the resolution of the Board approving the provision of the Guarantee and the proposed annual caps. Save for Mr. Li and Mr. Xiao Guoguang, none of the Directors has material interests in the aforesaid matters and was therefore required to abstain from voting on the relevant resolution of the Board.

INFORMATION ON THE PARTIES

Hunan Tiantong

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

The Company

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

Mr. Li

Mr. Li Xinzhou is the controlling Shareholder, the executive Director and the Chairman of the Company and the founder of the Group. He is responsible for managing the operations and planning and formulating the Group's strategies.

CONVENING OF EGM, APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER AND DESPATCH OF CIRCULAR

The Company will convene the EGM to seek for approval from the Independent Shareholders for the Guarantee Framework Agreement and the Guarantee contemplated thereunder (including the annual caps of the Guarantee). The Guarantee shall be effective from the date on which the approval from Independent Shareholders is obtained at the EGM.

The Independent Board Committee comprising of all independent non-executive Directors has been established to advise the Independent Shareholders in relation to the Guarantee Framework Agreement and the Guarantee (including the annual caps of the Guarantee) contemplated thereunder. Maxa Capital was engaged as the Independent Financial Adviser for providing opinions to the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) details of the Guarantee Framework Agreement; (ii) the letter from the Independent Board Committee; (iii) the letter from the Independent Financial Adviser; (iv) the notice of the EGM; and (v) other information required under the Listing Rules is expected to be despatched to the Shareholders on or before 18 November 2022.

DEFINITIONS

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

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Company”	Shanghai Pioneer Holding Ltd (上海先锋控股有限公司), an exempted company incorporated on 5 February 2013 with limited liability under the laws of the Cayman Islands, with its Shares listed on the Main Board of the Stock Exchange (Stock Code: 01345)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Counter Guarantee”	the provision of a counter guarantee for any amounts payable by the Company under the Guarantee with separate personal property by Mr. Li, the controlling Shareholder, pursuant to the Guarantee Framework Agreement
“Director(s)”	the director(s) of the Company

“EGM”	the second extraordinary general meeting in 2022 to be held by the Company to consider matters relating to the Guarantee Framework Agreement and the Guarantee contemplated thereunder (including the annual caps for the Guarantee)
“Group”	the Company together with its subsidiaries
“Guarantee”	the provision of a guarantee not exceeding RMB500 million in total to the member companies of Hunan Tiantong Group for their loans applied from the banks within three years by the member companies of the Group from the date when the Guarantee Framework Agreement is approved at the EGM and takes effect pursuant to the Guarantee Framework Agreement
“Guarantee Framework Agreement”	the guarantee framework agreement entered into among the Company, Hunan Tiantong and Mr. Li on 28 October 2022, pursuant to which the member companies of the Group agreed to provide the Guarantee to the member companies of Hunan Tiantong Group, and Mr. Li, the controlling Shareholder, will provide the Counter Guarantee
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hunan Tiantong”	Hunan Tiantong Environmental Protection Co., Ltd., a company incorporated with limited liability under the laws of the PRC on 10 June 2019, and a connected subsidiary of the Company
“Hunan Tiantong Group”	Hunan Tiantong together with its subsidiaries
“Independent Board Committee”	the independent board committee of the Company, comprising of all the independent non-executive Directors
“Independent Financial Adviser” or “Maxa Capital”	Maxa Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under Hong Kong Securities and Futures Ordinance, which has been appointed as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Guarantee Framework Agreement and the Guarantee contemplated thereunder (including the annual caps of the Guarantee)
“Independent Shareholders”	the Shareholders of the Company, except those who have a material interest in the Guarantee

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Li”	Mr. LI Xinzhou, the Chairman, executive Director and controlling Shareholder of the Company
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Tiandao Medical”	Tiandao Medical Co., Ltd. (仙桃市天道醫療服務有限公司), a company jointly and wholly owned by the father-in-law and the mother-in-law of Mr. Li, the Chairman, the executive Director and controlling Shareholder of the Company
“%”	percentage

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

Hong Kong, 28 October 2022

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